

Burnet R. Maybank, III
Member
Admitted in SC

June 15, 2007

VIA ELECTRONIC FILING
AND HAND DELIVERY

Public Service Commission of South Carolina
Docketing Department
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

**Re: Docket Number 2007-151-C – Application of Alltel Communications,
Inc. for Designation as an Eligible Telecommunications Carrier (ETC)
in the State of South Carolina**

Dear Ladies and Gentlemen:

Charleston

Charlotte

Columbia

Greensboro

Greenville

Hilton Head

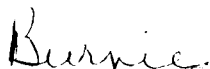
Myrtle Beach

Enclosed please find twenty-five (25) copies of the direct testimony by my client, Alltel Communications, Inc., in response to the Public Service Commission of South Carolina's (the "Commission") Notice of dated May 23, 2007, in connection with the above-referenced matter.

By copy of this letter, I am serving all parties of record with a copy of this direct testimony.

The enclosed document is an exact duplicate of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

Very truly yours,



Burnet R. Maybank, III
Enclosure

cc: Nanette S. Edwards, Esq. (Letter only Via E-Mail)
All Parties of Record

Docket Number 2007-151-C

**Application of Alltel Communications, Inc. for Designation as an Eligible
Telecommunications Carrier (ETC) in the State of South Carolina**

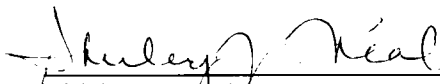
CERTIFICATE OF SERVICE

I, Shirley J. Neal, hereby certify that on this 15th day of June, 2007, a copy of
direct testimony of Alltel Communications, Inc. was placed in the United States mail,
via first class, postage prepaid to:

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Shirley J. Neal

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

In the Matter of

Application of Alltel Communications,)
Inc., for Designation as an Eligible)
Telecommunications Carrier Pursuant to)
Section 214(e)(2) of the Communications)
Act of 1934)

Docket No. 2007-151-C

DIRECT TESTIMONY OF

ROHAN RANARAJA

ON BEHALF OF

ALLTEL COMMUNICATIONS, INC. ("Alltel Wireless")

June 15, 2007

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| RR-2 | ALLTEL WIRELESS' REQUESTED RURAL STUDY AREAS |
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1 **I. IDENTIFICATION OF WITNESS, FACTUAL BACKGROUND,**
2 **AND PURPOSE OF TESTIMONY**

3 **Q: PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT AND BUSINESS ADDRESS.**

4 A: My name is Rohan Ranaraja. I am employed by Alltel Communications, Inc. as the Staff
5 Manager – ETC/Regulatory Affairs. My business address is One Allied Drive, Little
6 Rock, Arkansas 72202.

7 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A: I offer this testimony in support of the Application of Alltel Communications, Inc.
9 (“Alltel Wireless” or “Company”) to be designated as a federal eligible
10 telecommunications carrier (“ETC”) by the Public Service Commission of the State of
11 South Carolina (“Commission”) in this proceeding. In particular, I will describe how
12 Alltel Wireless satisfies the applicable federal and state prerequisites for designation as a
13 competitive ETC throughout its requested service area in the state of South Carolina.

14 **Q: WHAT ARE YOUR RESPONSIBILITIES WITHIN ALLTEL?**

15 A: I am primarily responsible for management of the Company’s entry into the universal
16 service program and coordinating the Company’s ongoing universal service operations
17 and commitments with others within the Company. In this capacity, I have developed an
18 understanding of the standards that apply in this proceeding. I have also gained
19 substantial knowledge about the products and services offered by Alltel Wireless, as well
20 as the network and business operations relating to the Company’s status as an ETC.

21 **Q: PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.**

22 A: I began my career with Alltel Corporation as a regulatory analyst in 1997. I have since
23 served in various wireline and wireless positions in the regulatory, legislative and
24 government affairs groups. I was named Staff Manager – Wireless ETC in 2004.

Q: HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE A REGULATORY COMMISSION?

A: Yes. I have filed testimony before other State regulatory commissions in support of Alltel Wireless' Applications for ETC designation.

Q: DOES ALLTEL WIRELESS CURRENTLY PROVIDE WIRELESS TELECOMMUNICATIONS SERVICES IN SOUTH CAROLINA?

A: Yes. Alltel Wireless is licensed by the Federal Communications Commission ("FCC") to provide Commercial Mobile Radio Service ("CMRS") or wireless telecommunications services in following Cellular Market Areas ("CMAs"): 67 (Greenville-Spartanburg, SC MSA), 90 (Charleston-North Charleston, SC MSA), 95 (Columbia, SC MSA), 108 (Augusta, GA/SC MSA), 227 (Anderson, SC MSA), 264 (Florence, SC MSA), 625 (South Carolina 1 – Oconee), 626 (South Carolina 2 – Laurens), 627 (South Carolina 3 – Cherokee), 628 (South Carolina 4 – Chesterfield), 629 (South Carolina 5 – Georgetown), 630 (South Carolina 6 – Clarendon), 631 (South Carolina 7 – Calhoun), 632 (South Carolina 8 – Hampton) and 633 (South Carolina 9 – Lancaster). Alltel Wireless is also licensed to provide CMRS service in the following Basic Trading Areas in South Carolina: 016 (Anderson, SC), 072 (Charleston, SC), 091 (Columbia, SC), 147 (Florence, SC), 178 (Greenwood, SC), 312 (Myrtle Beach, SC), 335 (Orangeburg, SC) and 436 (Sumter, SC). Alltel Wireless currently provides mobile telephony, data services and other enhanced features and services in these licensed areas.

Q: WHY IS ALLTEL WIRELESS SEEKING DESIGNATION AS A COMPETITIVE ETC IN SOUTH CAROLINA?

A: A carrier must be designated as an ETC under Section 214(e)(1) of the Telecommunications Act of 1996, 47 U.S.C. § 151, *et seq.* (the "Act") in order to be eligible to receive federal universal service support. Alltel Wireless believes that access to federal universal service support will enable the Company to expand its network

1 coverage and to improve the service quality and reliability of its network and services in
2 those areas where it has requested ETC designation.

3 **Q: HAS ALLTEL WIRELESS OR ITS AFFILIATES BEEN DESIGNATED AS A COMPETITIVE ETC**
4 **IN ANY OTHER JURISDICTIONS?**

5 A: Yes. The regulatory commissions of Arkansas, California, Colorado, Iowa, Idaho,
6 Kansas, Louisiana, Michigan, Minnesota, Mississippi, Montana, North Dakota, Nebraska,
7 New Mexico, Nevada, South Dakota, Texas, Utah, Wisconsin, West Virginia and
8 Wyoming have previously determined that Alltel Wireless satisfies each of the statutory
9 and regulatory prerequisites for ETC designation. Likewise, the FCC has designated
10 Alltel Wireless as a competitive ETC in Alabama, Florida, Georgia, North Carolina,
11 South Dakota (Pine Ridge Reservation), Virginia and Wyoming pursuant to its authority
12 under Section 214(e)(6) of the Act.

13 **Q: DID ANY OF ALLTEL WIRELESS' OR ITS AFFILIATES' PRIOR ETC DESIGNATIONS**
14 **INVOLVE RURAL TELEPHONE COMPANY SERVICE AREAS?**

15 A: Yes. Alltel Wireless was designated as a competitive ETC to serve rural telephone
16 company service areas in Arkansas, Colorado, Iowa, Kansas, Louisiana, Michigan,
17 Minnesota, Mississippi, North Dakota, Nebraska, New Mexico, Nevada, South Dakota,
18 Texas, Virginia, Wisconsin and Wyoming.

19 **Q: IS ALLTEL WIRELESS SEEKING TO BE DESIGNATED AS ELIGIBLE TO RECEIVE SUPPORT**
20 **FROM THE SOUTH CAROLINA STATE UNIVERSAL SERVICE FUND?**

21 A: No. Alltel Wireless is not seeking to be deemed eligible to receive support from the
22 South Carolina State Universal Service Fund ("SCUSF") in this proceeding.

23 **II. OVERVIEW OF THE APPLICABLE ETC DESIGNATION REQUIREMENTS**

24 **Q: WHAT ARE THE FEDERAL REQUIREMENTS FOR DESIGNATION AS A COMPETITIVE ETC?**

1 A: The underlying federal requirements for ETC designation are set forth in Section 214(e)
2 of the Act and Part 54 of the FCC's ETC Rules, 47 C.F.R. § 54.1, *et seq.* In order to be
3 designated as an ETC, an applicant must satisfy the following requirements: (1) it must
4 be a common carrier; (2) it must offer the services or functionalities set forth in FCC Rule
5 54.101(a)(1)-(a)(9) (the "Supported Services"); and (3) it must satisfy the service and
6 advertising obligations of an ETC. In an area served by a non-rural telephone company,
7 the Commission shall designate a common carrier that meets the requirements of Section
8 214(e)(1) as a competitive ETC "consistent with the public interest, convenience, and
9 necessity." 47 U.S.C. § 214(e)(2). In an area served by a rural telephone company, the
10 Commission must also find that the designation is in the public interest. *Id.* By Order
11 issued March 17, 2005, the FCC also adopted a specific set of designation and
12 certification criteria that are applicable to ETCs designated by the FCC for federal USF
13 purposes.

14 **Q: ARE THERE ANY STATE REQUIREMENTS THAT GOVERN AN APPLICANT'S REQUEST FOR**
15 **ETC DESIGNATION?**

16 A: The South Carolina Public Service Commission has initiated Docket No. 2006-37-C to
17 consider whether to adopt the FCC designation criteria for purposes of designating ETC
18 status. Alltel is a participant in that proceeding and will continue to participate in that
19 docket. However, even though the Commission has not formally adopted such a
20 requirement, Alltel commits to comply with the FCC designation criteria if required by
21 the Commission. I am very familiar with FCC designation requirements and the
22 processes Alltel has put in place to comply with those requirements.

1 **III. ALLTEL WIRELESS SATISFIES EACH OF THE PREREQUISITES FOR**
2 **DESIGNATION AS A COMPETITIVE ETC IN THE STATE OF SOUTH**
3 **CAROLINA**

4 **1. Alltel Wireless Is A Common Carrier**

5 **Q: THE FIRST REQUIREMENT FOR ETC DESIGNATION IS COMMON CARRIER STATUS. IS**
6 **ALLTEL WIRELESS A COMMON CARRIER?**

7 **A:** Yes. Alltel Wireless is a “common carrier” for the purposes of obtaining ETC
8 designation. Section 153(10) of the Act defines a common carrier as a person engaged as
9 a common carrier on a for-hire basis in interstate communications utilizing either wire or
10 radio technology. FCC Rule 20.9(a) also specifically provides that commercial mobile
11 radio service (“CMRS”), such as that provided by Alltel Wireless, is a common carrier
12 service.

13 **2. Alltel Wireless Offers Each Of The Supported Services Using Its Own Facilities**

14 **Q: THE SECOND REQUIREMENT FOR ETC DESIGNATION IS THAT THE APPLICANT OFFER**
15 **THE SERVICES OR FUNCTIONALITIES SUPPORTED BY THE FEDERAL UNIVERSAL SERVICE**
16 **SUPPORT MECHANISMS. WHAT ARE THE SUPPORTED SERVICES?**

17 **A:** As set forth in FCC Rule 54.101(a)(1)-(a)(9), the FCC has established the following
18 telecommunications services or functionalities as the core services to be offered by an
19 ETC and supported by federal universal service support mechanisms (the “Supported
20 Services”):

- 21 1. Voice-grade access to the public switched telephone network;
- 22 2. Local usage;
- 23 3. Dual tone multi-frequency (“DTMF”) signaling or its functional
24 equivalent;
- 25 4. Single-party service or its functional equivalent;
- 26 5. Access to emergency services;
- 27 6. Access to operator services;
- 28 7. Access to interexchange service;
- 29 8. Access to directory assistance; and
- 30 9. Toll limitation for qualifying low-income consumers.

1 **Q: IS ALLTEL WIRELESS ABLE TO PROVIDE THE SUPPORTED SERVICES OVER ITS EXISTING**
2 **NETWORK INFRASTRUCTURE IN SOUTH CAROLINA?**

3 A: Yes. With the exception of toll limitation for Lifeline subscribers, Alltel Wireless
4 currently provides the Supported Services in the state of South Carolina. Although Alltel
5 Wireless doesn't currently provide toll limitation in South Carolina, the Company does
6 offer toll blocking and/or toll control to Lifeline subscribers in other States where the
7 Company has been designated as a competitive ETC and will do the same in South
8 Carolina once designated.

9 **Q: DOES ALLTEL WIRELESS USE ITS OWN FACILITIES TO PROVIDE THE SUPPORTED**
10 **SERVICES IN SOUTH CAROLINA?**

11 A: Yes. Alltel Wireless utilizes its own facilities to provide the Supported Services, as well
12 as certain transport or other facilities leased from other telecommunications carriers, to
13 provide the Supported Service in South Carolina.

14 **Q: COULD YOU BRIEFLY DESCRIBE THE SUPPORTED SERVICES AND EXPLAIN HOW ALLTEL**
15 **WIRELESS PROVIDES EACH OF THE SERVICES OR FUNCTIONALITIES IN SOUTH**
16 **CAROLINA?**

17 A: Yes. I will address each of the Supported Services in turn:

18 a. Voice-grade access to the public switched telephone network means the ability to
19 make and receive phone calls within a voice frequency range of between 300 and
20 3000 Hertz. 47 C.F.R. § 54.101(a)(1). Through its interconnection arrangements
21 with various incumbent local exchange carriers ("ILECs"), each of Alltel
22 Wireless' South Carolina subscribers is able to make and receive calls on the
23 public switched telephone network within the FCC's specified bandwidth.

24 b. Local usage. "Local usage" means an amount of minutes of use of exchange
25 service, as prescribed by the FCC, provided free of charge to end users. 47 C.F.R.
26 § 54.101(a)(2). A description of the Company's current rate plans that are

1 generally available in the areas for which Alltel Wireless seeks ETC designation
2 is attached to the Application as Exhibit B. As confirmed by Exhibit B, Alltel
3 Wireless includes local usage in each of its currently available service offerings.
4 In addition, Alltel Wireless will comply with any and all specific local usage
5 requirements adopted by the FCC in the future and required of all federal ETCs.

6 c. DTMF signaling, or its functional equivalent. DTMF is a method of signaling
7 that facilitates the transportation of call set-up and call detail information.
8 47 C.F.R. § 54.101(a)(3). Alltel Wireless currently uses out-of-band digital
9 signaling that is functionally equivalent to DTMF signaling.

10 d. Single-party service or its functional equivalent. “Single party service” means
11 that only one party will be served by each subscriber loop or access line, in
12 contrast to a multi-party line. The FCC has determined that a wireless carrier
13 satisfies the requirement of offering single party service when it offers a dedicated
14 message path for the length of a user’s particular transmission. 47 C.F.R.
15 § 54.101(a)(4). Alltel Wireless provides a dedicated message path for the
16 duration of a user’s transmission.

17 e. Access to emergency services includes access to services, such as 911 and
18 enhanced 911, provided by local Public Service Answering Points (“PSAPs”).
19 47 C.F.R. § 54.101(a)(5). The FCC requires that a carrier provide access to
20 enhanced 911 (“E911”), which includes the capability of providing both
21 automatic numbering information (“ANI”) and automatic location information
22 (“ALI”) when a PSAP submits a compliant request to the carrier. Alltel Wireless
23 currently provides its customers with access to emergency services by dialing 911

1 in accord with this requirement throughout the geographic areas where it is
2 seeking ETC designation. Alltel Wireless also delivers both ANI and ALI data to
3 PSAPs capable of receiving and utilizing the data and that have made
4 arrangements for the delivery of the data.

5 f. Access to operator services means any automatic or live assistance provided to a
6 consumer to arrange for the billing or completion, or both, of a telephone call.
7 47 C.F.R. § 54.101(a)(6). Alltel Wireless provides all of its South Carolina
8 subscribers with access to operator services provided by either the Company or
9 other entities.

10 g. Access to interexchange service is defined as the use of the loop, as well as that
11 portion of the switch that is paid for by the end user, or the functional equivalent
12 of these network elements in the case of a wireless carrier, necessary to access an
13 interexchange carrier's network 47 C.F.R. § 54.101(a)(7). Alltel Wireless
14 provides access to interexchange service by providing its customers with the
15 ability to make and receive interexchange calls through direct interconnection
16 arrangements with several interexchange carriers ("IXCs"). On most of the
17 Company's rate plans, interexchange calls can be made for no additional charge
18 (*i.e.*, all outgoing minutes are treated the same). Additionally, customers are able
19 to reach other IXCs by dialing the appropriate access code or 800 number.

20 h. Access to directory assistance means the ability to provide access to a service that
21 makes directory listings available. 47 C.F.R. § 54.101(a)(8). Alltel Wireless
22 provides all of its customers access to directory assistance by dialing either "411"

1 or "Area Code + 555-1212." Alltel Wireless customers may also access enhanced
2 directory assistance service.

- 3 i. Toll limitation for qualifying low-income consumers. An ETC must offer "toll
4 limitation" services to qualifying Lifeline customers at no charge.
5 47 C.F.R. § 54.101(a)(9). Toll limitation is defined as either "toll blocking" or
6 "toll control" if a carrier is incapable of providing both, but as both toll blocking
7 and toll control if a carrier can provide both. Toll blocking allows consumers to
8 elect not to allow the completion of outgoing toll calls; toll control allows
9 consumers to specify a certain amount of toll usage that may be incurred per
10 month or per billing cycle. Alltel Wireless currently offers toll blocking and/or
11 toll limitation services for Lifeline customers in States in which it has been
12 designated as an ETC. As I mentioned earlier, Alltel Wireless is currently able to,
13 and will, offer toll blocking to its South Carolina Lifeline customers at no
14 additional charge upon designation as an ETC.

15 **Q: COULD YOU PROVIDE MORE DETAIL ABOUT ALLTEL WIRELESS' DEPLOYMENT OF E911**
16 **IN SOUTH CAROLINA?**

17 **A:** Yes. To date, Alltel Wireless has received 63 bona fide Phase I and 60 bona fide Phase II
18 E911 requests from South Carolina PSAPs. Alltel Wireless has completely deployed 61
19 Phase I and 54 Phase II E911 facilities in response to these requests and is in the process
20 of deploying the outstanding requests. Alltel Wireless will continue to work with PSAPs
21 within the Company's requested service area to make E911 service available pursuant to
22 the FCC's requirements.

23 **Q: IS ALLTEL WIRELESS' NETWORK IN SOUTH CAROLINA ALSO CAPABLE OF PROVIDING**
24 **DATA SERVICES?**

1 A: Yes. Although data services are not supported by the federal universal service
2 mechanisms, the same network facilities that provide the Supported Services are also able
3 to deliver high-speed wireless data services to customers, such as Alltel Wireless’
4 “Access Mobile Link” product which is currently available in South Carolina. With new
5 developments in technology, Alltel Wireless’ network is expected to be able to deliver
6 even faster data speeds and more capacity in the future.

7 **3. Alltel Wireless Will Advertise The Availability Of, And Charges For, The**
8 **Supported Services**

9 **Q: THE THIRD REQUIREMENT FOR ETC DESIGNATION IS THAT THE APPLICANT MUST**
10 **UNDERTAKE TO ADVERTISE THE AVAILABILITY OF, AND CHARGES FOR, THE SUPPORTED**
11 **SERVICES USING MEDIA OF GENERAL DISTRIBUTION. HOW DOES ALLTEL WIRELESS**
12 **INTEND TO ADVERTISE THE AVAILABILITY OF THE SUPPORTED SERVICES?**

13 A: Alltel Wireless currently offers and advertises the Supported Services in its requested
14 service area through several different media, including newspaper, television, radio, print,
15 and billboard advertising. Alltel Wireless’ Internet site (www.alltel.com), also contains
16 detailed information about the Company’s service offerings and is available 24-hours per
17 day, 7-days per week. In addition, Alltel Wireless maintains various retail store locations
18 throughout South Carolina which provide an additional source of advertising. Alltel
19 Wireless’ advertising of the availability and charges for the Supported Services as an
20 ETC will be part of, and integrated into, its current advertising for its existing array of
21 services and offerings in a manner that fully complies with federal requirements. Alltel
22 Wireless commits to continue such advertising in the future.

23 **Q: WILL ALLTEL WIRELESS ADVERTISE LIFELINE AND LINK UP ASSISTANCE?**

24 A: Yes. In other States where it has been designated as a competitive ETC, Alltel Wireless
25 advertises Lifeline and Link Up on the Company’s Internet site, in retail stores, at local
26 unemployment and Social Security offices and in state-wide and local newspapers. Once

1 designated as a competitive ETC in South Carolina, Alltel Wireless will specifically
2 advertise the availability of Lifeline and Link Up assistance and the corresponding
3 discounts and services throughout its designated service area.

4 **Q: COULD YOU PROVIDE MORE DETAILS ABOUT ALLTEL WIRELESS' LIFELINE**
5 **OFFERING?**

6
7 A. Alltel offers stand-alone Lifeline rate plans pursuant to 47 C.F.R. §54.403(a). The
8 standard Lifeline plan is available to qualifying customers for \$16.70 per month. The
9 tribal Lifeline plan is available to qualifying customers for \$1 per month. Customer
10 receive 300 anytime local minutes, call waiting at no extra charge, three-way calling at
11 no extra charge and toll free nation-wide calling on all calls that originate and terminate
12 on Alltel's network. Lifeline customers may purchase a handset for \$19.99. Customers
13 that have a handset which is E911 Phase II compatible and is capable of operating on
14 Alltel's network are not required to purchase a handset.

15 4. **Alltel Wireless Will Provide the Supported Services Throughout Its Designated**
16 **Service area Pursuant To The Commission's ETC Rules**

17 **Q: HOW SHOULD THE COMMISSION DEFINE ALLTEL WIRELESS' DESIGNATED ETC**
18 **SERVICE AREA IN THIS PROCEEDING?**

19 A: Section 214(e)(5) of the Act and FCC Rule 54.207(a) define the term "service area" as a
20 geographic area established by a State commission for the purpose of determining
21 universal service obligations and support mechanisms. For an area served by a non-rural
22 telephone company, ETC designations are made at the wire center level. For an area
23 served by a rural telephone company, Section 214(e)(5) of the Act and FCC Rule
24 54.207(b) provide that an ETC's designated service area is equivalent to the rural
25 telephone company's "study area," unless and until the State commission and FCC
26 cooperatively redefine the service area requirement to something less than the entire

1 study area. A rural telephone company's study area is generally defined as all of the
2 company's existing certificated exchange area in a given state.

3 **Q: PLEASE IDENTIFY THE SERVICE AREA FOR WHICH ALLTEL WIRELESS SEEKS**
4 **DESIGNATION AS A COMPETITIVE ETC?**

5 A: Alltel Wireless seeks designation as an ETC in each of the non-rural telephone company
6 wire centers identified on **Exhibit RR-1**. Exhibit RR-1 is identical to Exhibit C attached
7 to Alltel Wireless' Application. Alltel Wireless also seeks designation throughout the
8 entire study areas of the rural telephone companies identified on **Exhibit RR-2**. Exhibit
9 RR-2 is identical to Exhibit D attached to Alltel Wireless' Application.

10 **Q: IS ALLTEL WIRELESS AUTHORIZED TO PROVIDE SERVICE THROUGHOUT ITS**
11 **REQUESTED SERVICE AREA?**

12 A: Yes. Alltel Wireless is currently licensed by the FCC to provide wireless
13 telecommunications throughout the non-rural telephone company wire centers and rural
14 telephone company study areas in which it has requested ETC designation in this
15 proceeding.

16 **Q: IS ALLTEL WIRELESS SEEKING ETC DESIGNATION IN ANY RURAL TELEPHONE**
17 **COMPANY STUDY AREA THAT THE COMPANY IS NOT LICENSED TO SERVE IN ITS**
18 **ENTIRETY?**

19 A: No. Alltel Wireless is only seeking ETC designation in this proceeding for those rural
20 telephone company study areas that the Company is licensed to serve in their entirety.

21 **Q: IS THE SERVICE AREA IN WHICH ALLTEL WIRELESS SEEKS ETC DESIGNATION IN THIS**
22 **PROCEEDING CONTAINED ENTIRELY WITHIN THE STATE OF SOUTH CAROLINA?**

23 A: Yes. However, there are a few instances where the geographic boundary of a particular
24 wire center extends into a neighboring State. Attached as **Exhibit RR-3** to my Direct
25 Testimony is a listing of these wire centers.

26 **Q: HOW SHOULD THE COMMISSION DEFINE ALLTEL WIRELESS' SERVICE AREA FOR THESE**
27 **WIRE CENTERS?**

1 A: The Commission is only authorized to designate an ETC within the State of South
2 Carolina and should, therefore, designate Alltel Wireless to serve only those areas that
3 are within the state borders. The FCC has determined that when an incumbent telephone
4 company's service area extends across state lines, the State commission's jurisdiction to
5 designate a competitive ETC extends only to the borders of the State.¹ The FCC has also
6 determined that the redefinition procedures set forth in FCC Rule 54.207 are not
7 applicable to any rural telephone company study areas that cross State lines. Thus, the
8 Commission can designate Alltel Wireless as a competitive ETC in the portion of a wire
9 center or study area that is located within South Carolina, and in the case of a rural
10 telephone company study area, no redefinition of the service area requirement is
11 necessary.

12 **Q: IS CREAMSKIMMING AN ISSUE IN THIS PROCEEDING?**

13 A: No. The Commission does not need to consider creamskimming in this proceeding. A
14 creamskimming analysis will only arise when evaluating a request to redefine the study
15 area requirement for a rural telephone company. As explained by the FCC,
16 creamskimming may occur when an applicant seeks to serve a disproportionate share of
17 the low-cost, high revenue customers in a rural telephone company's study area. Alltel
18 Wireless has not requested redefinition in this proceeding because we serve the entire
19 study areas of the rural telephone companies where we are requesting designation. As a
20 result, creamskimming is not possible when serving the entire study area.

¹ In the Matter of Federal-State Board on Universal Service, Western Wireless Corporation
Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming, CC
Docket No. 96-45, Memorandum Opinion and Order, DA 00-2896, ¶¶ 23-24
(rel. Dec. 26, 2000).

1 **Q: HOW WILL ALLTEL WIRELESS PROVIDE SERVICE TO POTENTIAL SUBSCRIBERS WHO**
2 **REQUEST SERVICE?**

3 A: In most cases, Alltel Wireless will be able to provide service to a requesting subscriber
4 within a matter of hours. Most of the service area where Alltel Wireless is requesting
5 ETC designation is currently served by the Company's existing network. Therefore,
6 Alltel Wireless should be able to fulfill service requests in these areas without delay. In
7 the event that a potential subscriber is within the designated area, but outside of Alltel
8 Wireless' existing network coverage, the Company will take the following steps to
9 evaluate the request and determine whether service can be provided at reasonable cost:

- 10 1. First, Alltel Wireless will determine whether the customer's equipment can be
11 modified or replaced to provide service;
- 12 2. Second, Alltel Wireless will determine whether a roof-mounted antenna or other
13 equipment could be used to provide service;
- 14 3. Third, Alltel Wireless will determine whether adjustments at the nearest cell site
15 could be made to provide service;
- 16 4. Fourth, Alltel Wireless will determine whether any other adjustments to either its
17 network facilities or the customer's equipment could be made to provide service;
- 18 5. Fifth, Alltel Wireless will explore the possibility of reselling the services of
19 another carrier to provide service; and
- 20 6. Sixth, Alltel Wireless will determine whether the leasing or construction of
21 additional network facilities, such as an additional cell site, extender, or repeater,
22 or other similar equipment could be used to provide service, and evaluate the
23 costs and benefits of using high-cost universal service support to serve a number
24 of customers requesting service.

25 In the unlikely event that after following these steps Alltel Wireless is unable to provide
26 service, it will notify the requesting subscriber and the Commission. Alltel Wireless
27 currently follows these service standards and procedures in other States where it has been
28 designated as a competitive ETC and will do so in South Carolina as well.

1 **Q: HOW DOES ALLTEL WIRELESS INTEND TO UTILIZE THE HIGH-COST UNIVERSAL**
2 **SERVICE SUPPORT IT WILL RECEIVE AS A COMPETITIVE ETC IN SOUTH CAROLINA?**

3 A: Under federal and State law, every ETC is required to use the universal service support it
4 receives only for the “provision, maintenance, and upgrading of facilities and services for
5 which the support is intended.” Generally, the permissible uses relate to capital
6 expenditures, operating expenses and maintenance/repair expenses associated with
7 providing the Supported Services within the ETC designated area. Alltel Wireless will,
8 therefore, use the high-cost support it receives to provide the Supported Services and to
9 improve, upgrade, expand and maintain its facilities to provide the supported services in
10 its designated service area.

11 **Q: WILL ALLTEL WIRELESS SUBMIT A FIVE-YEAR SERVICE IMPROVEMENT PLAN**
12 **DETAILING THE IMPROVEMENTS OR UPGRADES IT WILL BE ABLE TO MAKE WITH THE**
13 **RECEIPT OF UNIVERSAL SERVICE SUPPORT?**

14 A: Yes. Alltel will submit a Plan that fulfills the FCC criteria as described in its
15 Application.

16 **Q: HOW WILL THE COMMISSION BE ABLE TO EVALUATE ALLTEL WIRELESS’ USE OF**
17 **FEDERAL UNIVERSAL SERVICE SUPPORT AND PROGRESS TOWARDS MEETING ITS**
18 **SERVICE IMPROVEMENT GOALS?**

19 A: Alltel Wireless commits to annually submit a detailed report that identifies the amount of
20 support received during the previous year and how those funds were used to improve and
21 provide the supported services through out its ETC area. As part of that filing, Alltel
22 Wireless will also update information in the plan for the upcoming year, if necessary.
23 Through this process, the Commission will receive reliable data, projections and
24 information on Alltel Wireless’ use of support.

25 **5. Alltel Wireless Has the Ability To Remain Functional During Emergency Situations**

26 **Q: DOES ALLTEL WIRELESS’ SOUTH CAROLINA NETWORK HAVE THE ABILITY TO REMAIN**
27 **FUNCTIONAL DURING EMERGENCY SITUATIONS?**

1 A: Yes. Alltel Wireless' network in South Carolina is designed to remain functional in
2 emergency situations. Alltel Wireless has adequate amounts of back-up power to ensure
3 functionality without an external power source, is able to reroute traffic around damaged
4 facilities and is capable of managing traffic spikes resulting from emergency situations.

5 **Q: WHAT SPECIFIC STEPS HAS ALLTEL WIRELESS TAKEN TO DEAL WITH POTENTIAL**
6 **EMERGENCY SITUATIONS AND TRAFFIC SPIKES?**

7 A: Each cell site and mobile switching center supporting the Company's wireless network
8 serving South Carolina has a sufficient, alternative source of power. In the event of an
9 outage of commercial power, each switch and cell site immediately begins operating on
10 battery power. In fact, there is no interruption of power because the operations are
11 powered directly from the batteries, which during normal operations are being
12 continuously recharged by commercial power. All batteries used on the network
13 maintain a minimum of 4 hours of power and some maintain 8 hours of power. Alltel
14 Wireless has also deployed fixed and portable back-up generators at various locations
15 throughout its network that can be deployed in emergency situations. These back-up
16 generators are capable of keeping a switch or cell site up and running until power is
17 restored to the site, until system changes are made to reroute traffic or until a cell site on
18 wheels ("COWs") is deployed. Alltel Wireless tests its back-up generators regularly to
19 ensure functionality.

20 Further, Alltel Wireless is capable of and will reroute traffic around damaged or
21 out-of-service facilities by changing call routing translations as needed. The Company is
22 able to deploy COWs as temporary cell sites when existing facilities are damaged or out
23 of service for longer periods of time. By changing call routing translations or deploying
24 COWs, Alltel Wireless is able to manage traffic spikes throughout its network.

1 In addition, the Company's network includes redundant components that allow
2 for functionality in the case of network breakdown. First, cell sites are constructed in
3 such a way that in many locations their signal coverage overlaps with adjacent cell sites.
4 As a result, subscribers may still have signal coverage from an adjacent cell site in the
5 event of an outage at another cell site. Second, in most areas of the Alltel Wireless
6 network there are other carriers with networks using the same wireless technology. Thus,
7 an Alltel Wireless subscriber may be able to temporarily roam on such networks in the
8 event of outages on the Company's network. Third, the network's connection to the
9 public switched telephone network is accomplished through trunks that have redundant
10 backups, thereby allowing continued connection in the event of a break in the first set of
11 trunks. All of these features ensure that Alltel Wireless has a reliable network that is able
12 to function during emergency situations.

13 Further, as a long-term solution for managing increased traffic levels and traffic
14 spikes, Alltel Wireless intends to use high-cost universal service support to increase
15 capacity at its cell sites, switches and transport facilities in South Carolina.

16 **6. Alltel Wireless Will Satisfy Applicable Consumer Protection And Service Quality**
17 **Standards**

18 **Q: WILL ALLTEL WIRELESS SATISFY APPLICABLE CONSUMER PROTECTION AND SERVICE**
19 **QUALITY STANDARDS ONCE IT IS DESIGNATED AS A COMPETITIVE ETC IN SOUTH**
20 **CAROLINA?**

21 **A:** Yes. Alltel Wireless will comply with all applicable consumer protection and service
22 quality rules. In the case of a wireless carrier like Alltel Wireless, the FCC has
23 determined that the carrier's compliance with the CTIA Consumer Code for Wireless
24 Service ("Consumer Code") satisfies this requirement.

25 **Q: DOES ALLTEL WIRELESS COMPLY WITH THE CONSUMER CODE?**

1 A: Yes. Alltel Wireless is a voluntary signatory to the Consumer Code and has adopted the
2 principles, disclosures and practices that consumers have come to expect under the
3 Consumer Code. Alltel Wireless specifically commits to comply with the Consumer
4 Code throughout its designated service area in South Carolina.

5 **Q: IS COMPLIANCE WITH THE CONSUMER CODE THE ONLY INCENTIVE THAT ALLTEL**
6 **WIRELESS HAS TO PROVIDE HIGH-QUALITY SERVICE?**

7 A: Absolutely not. Alltel Wireless takes great pride in the high quality of service it provides
8 to customers. The wireless market is highly competitive, so Alltel Wireless' provision of
9 service is, in essence, market regulated – customers demand quality service and will not
10 subscribe to our services if we do not provide it. As a result, customer service is an
11 essential element of our marketing and operating philosophy. Alltel Wireless'
12 subscribers are able to report wireless telephone service or account problems 24-hours a
13 day to our customer service centers on a toll-free access number with no airtime charge.
14 This is typically far more responsive than the customer service support available from
15 many ILECs.

16 **Q: WILL ALLTEL WIRELESS' DESIGNATION AS A COMPETITIVE ETC CREATE ANY**
17 **ADDITIONAL INCENTIVES TO PROVIDE QUALITY SERVICE?**

18 A: Yes. As a competitive ETC, Alltel Wireless will only receive federal universal service
19 support for the subscribers that it actually serves within its designated service area. Thus,
20 if Alltel Wireless fails to provide quality service, it will not only lose subscribers but also
21 the corresponding universal service support.

22 **Q: WHAT OTHER STEPS HAS ALLTEL WIRELESS TAKEN TO ENSURE THAT ITS SUBSCRIBERS**
23 **RECEIVE HIGH-QUALITY SERVICE?**

24 A: In addition to its adoption and implementation of the Consumer Code, Alltel Wireless has
25 taken several steps, on its own initiative, to further benefit its subscribers and enhance

1 service quality. For example, Alltel Wireless offers its subscribers an automatic one-
2 minute credit for any dropped call on its network.

3 **Q: WHAT DO ALLTEL WIRELESS SUBSCRIBERS HAVE TO DO TO RECEIVE CREDITS FOR A**
4 **DROPPED CALL?**

5 A: Nothing. The Company does it for them. Alltel Wireless does not require its subscribers
6 to call and report a dropped call. Instead, we monitor the network for dropped calls and
7 automatically credit the subscriber's account for any dropped call.

8 **Q: WHAT IF ALLTEL WIRELESS SUBSCRIBERS WANT TO CHANGE RATE PLANS. ARE THEY**
9 **REQUIRED TO PAY A PENALTY OR EXTEND THEIR SERVICE CONTRACTS?**

10 A: No. In recognition of the fact that changing circumstances and needs may require a
11 subscriber to opt for a different service offering, Alltel Wireless offers all of its
12 subscribers the ability to change rate plans at anytime without paying a penalty or
13 extending their current service contracts.

14 **Q: WHAT STEPS DOES ALLTEL WIRELESS TAKE TO RESPOND TO CUSTOMER COMPLAINTS**
15 **REGARDING ITS SERVICE?**

16 A: If complaints are received, Alltel Wireless has procedures in place to ensure they are
17 investigated and resolved appropriately. Subscriber complaints are tracked by the
18 Company's Customer Care Centers. A complaint will be logged and recorded by
19 Customer Relations Specialists, who work with individual subscribers on an ongoing
20 basis to resolve specific inquiries, disputes, and grievances. In addition, Alltel Wireless
21 commits to providing the Commission, on an annual basis, with the number of consumer
22 complaints per 1,000 handsets. These types of steps have been approved by the FCC as
23 fully addressing any concerns about the quality of wireless service.

24 **Q: IS THERE ANY EVIDENCE THAT ALLTEL WIRELESS' SUBSCRIBERS VALUE THE**
25 **COMPANY'S SERVICE QUALITY?**

1 A: Yes. The overall usage of Alltel Wireless' services by consumers suggests that it is
2 providing a high-quality service. For example, our rate of customer retention in the state
3 of South Carolina (referred to as churn rate) is extremely good – only 1.27% of our
4 subscribers switched to another carrier in May of 2007. If consumers found that Alltel
5 Wireless' service was not of sufficient quality, they simply would not subscribe to the
6 service. On the whole, the relative adoption and usage of wireless services as compared
7 to wireline services also suggests that consumers place a relatively high value on wireless
8 services. The number of wireless subscribers and the number of minutes of use on
9 wireless networks – including Alltel Wireless' network – is increasing while the number
10 of wireline access lines is decreasing. This is the most powerful indicator of high-quality
11 service in my opinion.

12 7. **Alltel Wireless Will Offer A Local Usage Plan Comparable To Those Offered By**
13 **The ILECs**

14 Q: DOES ALLTEL WIRELESS OFFER A LOCAL USAGE PLAN COMPARABLE TO THOSE
15 OFFERED BY THE ILECs SERVING ITS REQUESTED SERVICE AREA?

16 A: Yes. All of Alltel Wireless' service offerings are comparable to the ILEC service
17 offerings available in its requested service area. At their core, both Alltel Wireless and
18 the ILECs offer service plans that include each of the Supported Services required under
19 FCC Rule 54.101(a)(1)-(a)(9). To that extent, the service offerings are absolutely
20 comparable.

21 Q: HOW HAS THE FCC DEALT WITH THE ISSUE OF COMPARABILITY?

22 A: In considering the comparability of service offerings for purposes of ETC designations,
23 the FCC has actually focused on the differences between the carriers' plans, rather than
24 their similarities. For example, the FCC has determined that when comparing a wireless
25 ETC applicant's service offerings to those offered by the ILECs, it is appropriate to

1 consider that the applicant may offer a local calling plan that has a different local calling
2 area, that the applicant may offer an unlimited calling plan that bundles local with long
3 distance calling or that the applicant may provide unlimited free calls to emergency and
4 other services. In other words, the FCC considers the value afforded by the unique
5 benefits and advantages of each applicant's services and features when evaluating
6 comparability.

7 **Q: HOW WOULD THAT TYPE OF ANALYSIS APPLY IN THIS CASE?**

8 A: Like the FCC, this Commission must consider consumer value in conducting any kind of
9 comparison. In a competitive market, consumers are able to consider many factors in
10 making their determination of comparability between the services offered by competing
11 ETCs. What constitutes value for one consumer may vary greatly from another. Thus,
12 any attempt to determine the comparable value of different service offerings by a
13 mathematical formula totally fails to consider the different market preferences and values
14 that exist from one consumer to another. Today's competitive marketplace gives
15 consumers the opportunity to choose a service offering or carrier that provides them the
16 most value based on their individual preferences. The reality of today's market is that if
17 a carrier does not provide value to a consumer, then the consumer will not purchase
18 service from that carrier.

19 **Q: DOES ALLTEL WIRELESS OFFER COMPETITIVE LOCAL USAGE PLANS?**

20 A: Yes. Alltel Wireless' service offerings are extremely competitive and provide consumer
21 benefits that are not present in the ILECs' calling plans. For example, the Company's
22 service offerings provide the intrinsic benefit of mobility. Alltel Wireless' service
23 offerings also include larger local calling areas than the ILECs. In fact, all of Alltel
24 Wireless' currently marketed rate plans offer South Carolina subscribers a minimum

1 local calling area that includes the entire States of North and South Carolina and parts of
2 Georgia. These expanded local calling areas are of great benefit to rural consumers who
3 would otherwise have to pay toll charges to reach local government offices, health care
4 providers, businesses or family outside of a restricted landline calling area. In addition,
5 Alltel Wireless offers a variety of calling plans that bundle local and long distance
6 calling, so the local calling area is, in effect, regionwide or nationwide. In addition, all of
7 Alltel Wireless' service offerings include unlimited free calls to emergency services by
8 calling 911, as well as unlimited free calling to customer care by dialing 611.

9 **8. Alltel Wireless Acknowledges That The FCC May Require It To Provide Equal**
10 **Access To Interexchange Carriers**

11 **Q: DOES ALLTEL WIRELESS ACKNOWLEDGE THAT IT COULD BE REQUIRED TO OFFER**
12 **EQUAL ACCESS AT SOME POINT IN THE FUTURE?**

13 A: Yes. Alltel Wireless acknowledges that the FCC may require it to provide equal access to
14 interexchange carriers in the unlikely event that no other ETC is providing equal access
15 within the Company's designated service area.

16 **IV. ALLTEL WIRELESS' DESIGNATION AS A COMPETITIVE ETC**
17 **IS IN THE PUBLIC INTEREST**

18 **Q: WILL ALLTEL WIRELESS' DESIGNATION AS A COMPETITIVE ETC BE GOOD FOR SOUTH**
19 **CAROLINA CONSUMERS?**

20 A: Yes. As Mr. Mowery explains in his Direct Testimony, Alltel Wireless' designation as a
21 competitive ETC will enable the Company to expand and maintain its network, improve
22 service quality and offer customers through out the designated area a choice of services
23 that best meet their telecommunications needs. As a result, South Carolina consumers
24 will have more choices and better service.

25 **Q: DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

26 A: Yes.

EXHIBIT RR-1

Alltel Communications, Inc.
State of South Carolina
Non-Rural Telephone Company Wire Centers
Where ETC Designation is Requested

| SAC | LEC NAME | WIRE CENTER | CLLI | COUNTY |
|------------|--------------------------------|--------------------|-------------|---------------|
| 240479 | VERIZON SOUTH INC.-SC | ABBEVILLE | ABVLSCXA | Abbeville |
| 240479 | VERIZON SOUTH INC.-SC | ANDREWS | ANDRSCXA | Georgetown |
| 240479 | VERIZON SOUTH INC.-SC | BISHOPVILLE | BSVLSCXA | Lee |
| 240479 | VERIZON SOUTH INC.-SC | CALHOUN FLS | CLFLSCXA | Abbeville |
| 240479 | VERIZON SOUTH INC.-SC | CONWAY | CNWYSCXA | Horry |
| 240479 | VERIZON SOUTH INC.-SC | EHRHARDT | EHRHSCXA | Bamberg |
| 240479 | VERIZON SOUTH INC.-SC | FAIRFAX | FRFXSCXA | Allendale |
| 240479 | VERIZON SOUTH INC.-SC | GEORGETOWN | GRTWSCXA | Georgetown |
| 240479 | VERIZON SOUTH INC.-SC | HOLLYWOOD | HLWDSCXA | Charleston |
| 240479 | VERIZON SOUTH INC.-SC | HEMINGWAY | HMNGSCXA | Williamsburg |
| 240479 | VERIZON SOUTH INC.-SC | JOHNSONVILLE | JSVLSCXA | Florence |
| 240479 | VERIZON SOUTH INC.-SC | KINGSTREE | KGTRSCXA | Williamsburg |
| 240479 | VERIZON SOUTH INC.-SC | LAMAR | LAMRSCXA | Darlington |
| 240479 | VERIZON SOUTH INC.-SC | LK CITY | LKCYSCXA | Florence |
| 240479 | VERIZON SOUTH INC.-SC | LAURENS | LRNSSCXC | Laurens |
| 240479 | VERIZON SOUTH INC.-SC | MC CORMICK | MCCRSCXB | McCormick |
| 240479 | VERIZON SOUTH INC.-SC | MANNING | MNNGSCXA | Clarendon |
| 240479 | VERIZON SOUTH INC.-SC | MYRTLE BCH | MYBHSCXB | Horry |
| 240479 | VERIZON SOUTH INC.-SC | MYRTLE BEACH | MYBHSCXC | Horry |
| 240479 | VERIZON SOUTH INC.-SC | MYRTLE BCH | MYBHSCXM | Horry |
| 240479 | VERIZON SOUTH INC.-SC | N MYRTLE BCH | ODBHSCXB | Horry |
| 240479 | VERIZON SOUTH INC.-SC | OLAR | OLARSCXA | Bamberg |
| 240479 | VERIZON SOUTH INC.-SC | OLANTA | OLNTSCXA | Florence |
| 240479 | VERIZON SOUTH INC.-SC | PAMPLICO | PMPLSCXA | Florence |
| 240479 | VERIZON SOUTH INC.-SC | PAWLEYS IS | PWISSCXA | Georgetown |
| 240479 | VERIZON SOUTH INC.-SC | SHAW A F B | SHHGSCXB | Sumter |
| 240479 | VERIZON SOUTH INC.-SC | SUMMERTON | SMTNSCXA | Clarendon |
| 240479 | VERIZON SOUTH INC.-SC | SUMTER | SMTRSCXA | Sumter |
| 240479 | VERIZON SOUTH INC.-SC | WOODRUFF | WDRFSCXA | Spartanburg |
| 240479 | VERIZON SOUTH INC.-SC | WALTERBORO | WLBOSCXC | Colleton |
| 240479 | VERIZON SOUTH INC.-SC | WINNSBORO | WNBOSCXA | Fairfield |
| 240479 | VERIZON SOUTH INC.-SC | N MYRTLE BCH | WNHLSCXA | Horry |
| 240479 | VERIZON SOUTH INC.-SC | YEMASSEE | YMSSSCXA | Hampton |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | AIKEN | AIKNSCMA | Aiken |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | ALLENDALE | ALDLSCMA | Allendale |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | PENDLETON | ARSNSCAH | Anderson |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | ANDERSON | ARSNSCMA | Anderson |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | TOWNVILLE | ARSNSCTV | Anderson |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | WARRENVILLE | BATHSCMA | Aiken |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BLACKVILLE | BAVLSCMA | Barnwell |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BELTON | BETNSCMA | Anderson |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BENNETTSVILLE | BEVLSCMA | Marlboro |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BEECH IS | BHISSCMA | Aiken |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BLACKSBURG | BLBGSCMA | Cherokee |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BLENHEIM | BLNHSCMA | Marlboro |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BLUE RIDGE | BLRGSCMA | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BAMBERG | BMBRSCMA | Bamberg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BARNWELL | BRWLSCBE | Barnwell |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BATESBURG | BTBGSCMA | Lexington |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CENTRAL | CENTSCWS | Pickens |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CHAPIN | CHAPSCCL | Lexington |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CHERAW | CHRWSCES | Chesterfield |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CHARLESTON | CHTNSCDP | Berkeley |

Alltel Communications, Inc.
State of South Carolina
Non-Rural Telephone Company Wire Centers
Where ETC Designation is Requested

| SAC | LEC NAME | WIRE CENTER | CLLI | COUNTY |
|------------|--------------------------------|--------------------|-------------|---------------|
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CHARLESTON | CHTNSCDT | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CHARLESTON | CHTNSCJM | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | JOHNS IS | CHTNSCJN | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CHARLESTON | CHTNSCLB | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | N CHARLESTON | CHTNSCNO | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CHARLESTON | CHTNSCWA | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CLIO | CLIOSCMA | Marlboro |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COLUMBIA | CLMASCAR | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COLUMBIA | CLMASCBQ | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COLUMBIA | CLMASCCH | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | IRMO | CLMASCDF | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COLUMBIA | CLMASCPA | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COLUMBIA | CLMASCSC | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | WEST COLUMBIA | CLMASCSC | Lexington |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COLUMBIA | CLMASCSH | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COLUMBIA | CLMASCSN | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COLUMBIA | CLMASCSU | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CAYCE | CLMASCSW | Lexington |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CLEMSON | CLNSNCMA | Pickens |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CLINTON | CLTNSCMA | Laurens |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CLOVER | CLVRSCES | York |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | LUGOFF | CMDNSCLG | Kershaw |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CAMDEN | CMDNSCMA | Kershaw |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | COWPENS | CWPNSCMA | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | DILLON | DLLNSCMA | Dillon |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | DENMARK | DNMKSCES | Bamberg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | DARLINGTON | DRTNSCMA | Darlington |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | EDISTO BEACH | EDBHSCMA | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | EDGEFIELD | EDFDSCMA | Edgefield |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | EASTOVER | EOVRSCMA | Richland |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | EASLEY | ESLYSCMA | Pickens |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CHARLESTON | FLBHSCMA | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | FLORENCE | FLRNSCMA | Florence |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | FOUNTAIN INN | FNINSCES | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | FINGERVILLE | FNVLSCMA | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GAFFNEY | GFNYSCMA | Cherokee |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GRANITEVILLE | GIVLSCMA | Aiken |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GREENVILLE | GNVLSCBE | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | TAYLORS | GNVLSCCH | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GREENVILLE | GNVLSCCR | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GREENVILLE | GNVLSCDT | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GREENVILLE | GNVLSCWE | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GREENVILLE | GNVLSCWP | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GREENVILLE | GNVLSCWR | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | GREER | GRERSCMA | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | HICKORY GROVE | HCGVSCMA | York |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | HONEA PATH | HNPWSCMA | Anderson |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | HARTSVILLE | HTVLSCMA | Darlington |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | ISLE OF PALMS | ISPLSCIS | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | JOHNSTON | JHTNSCMA | Edgefield |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | JONESVILLE | JNVLSCMA | Union |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | JOANNA | JONNSCES | Laurens |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | LATTA | LATTSCLS | Dillon |

Alltel Communications, Inc.
State of South Carolina
Non-Rural Telephone Company Wire Centers
Where ETC Designation is Requested

| SAC | LEC NAME | WIRE CENTER | CLLI | COUNTY |
|------------|--------------------------------|--------------------|-------------|---------------|
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | LIBERTY | LBRTSCMA | Pickens |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | LK VIEW | LKVWSCMA | Dillon |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CLOVER | LKWLSCRS | York |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | LYMAN | LYMNSCES | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | DUNCAN | LYMNSCIP | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BRITTONS NECK | MARNSCBN | Marion |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | MARION | MARNSCMA | Marion |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | MCCOLL | MCCLSCMA | Marlboro |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | MULLINS | MLNSSCWP | Marion |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | MT PLEASANT | MNPLSCES | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | MARIETTA | MRTTSCMA | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | N AUGUSTA | NAGSSCMA | Aiken |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | NEWBERRY | NWBYSMA | Newberry |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | NEW ELLENTON | NWELSCMA | Aiken |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | ORANGEBURG | ORBGSCMA | Orangeburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | PICKENS | PCKNSCES | Pickens |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | PACOLET | PCLTSCMA | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | PIEDMONT | PDMTSCES | Anderson |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | PENDLETON | PNTNSCMA | Anderson |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | PROSPERITY | PRSRSCMA | Newberry |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SALEM | SALMSCMA | Oconee |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | JOHNS ISLAND | SBRKSCSK | Charleston |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SOCIETY HL | SCHLSCES | Darlington |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SENECA | SENCSCMA | Oconee |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SHARON | SHRNSCMA | York |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | BOILING SPRINGS | SPBGSCBS | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SPARTANBURG | SPBGSCCV | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SPARTANBURG | SPBGSCMA | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SPARTANBURG | SPBGSCWV | Spartanburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SPRINGFIELD | SPFDSCMA | Orangeburg |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | ST GEORGE | STGRSCMA | Dorchester |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SUMMERVILLE | SUVLSCMA | Dorchester |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SIX MILE | SXMLSCMA | Pickens |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | SENECA | TKNASCST | Oconee |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | TIMMONSVILLE | TMVLSCMA | Florence |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | TRAVELERS REST | TRRSSCMA | Greenville |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | UNION | UNINSCMA | Union |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | W COLUMBIA | WCLMSCMA | Lexington |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | WHITMIRE | WHTMSCMA | Newberry |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | WALHALLA | WLHLSCES | Oconee |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | WESTMINSTER | WMNSSCES | Oconee |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | PELZER | WMTNSCPW | Anderson |
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | YORK | YORKSCMA | York |

EXHIBIT RR-2

Alltel Communications, Inc.
State of South Carolina
Rural Telephone Company Study Areas
Served in their Entirety

| SAC | LEC NAME | WIRE CENTER | CLLI | COUNTY |
|------------|-------------------------------|--------------------|-------------|---------------|
| 240517 | WINDSTREAM SC | KERSHAW | KRSHSCXB | Lancaster |
| 240517 | WINDSTREAM SC | LANDRUM | LNDRSCXA | Spartanburg |
| 240517 | WINDSTREAM SC | CAMPOBELLO | CMPBSCXA | Spartanburg |
| 240517 | WINDSTREAM SC | INMAN | INMNSCXA | Spartanburg |
| 240517 | WINDSTREAM SC | LEXINGTON | LXTNSCXC | Lexington |
| 240517 | WINDSTREAM SC | ST MATTHEWS | STMTSCXA | Calhoun |
| 240517 | WINDSTREAM SC | CAMERON | CMRNSCXA | Calhoun |
| 240512 | BLUFFTON TELEPHONE CO. INC. | BLUFFTON | BFTNSCAQ | Beaufort |
| 240512 | BLUFFTON TELEPHONE CO. INC. | BLUFFTON | BFTNSCXA | Beaufort |
| 240515 | CHESNEE TELEPHONE CO. | CHESNEE | CHSNSCXA | Spartanburg |
| 240516 | CHESTER TELEPHONE CO. | LEWISVILLE | LWVLSCXA | Chester |
| 240516 | CHESTER TELEPHONE CO. | GREAT FALLS | GRFLSCXA | Chester |
| 240516 | CHESTER TELEPHONE CO. | CHESTER | CHESSCXA | Chester |
| 240520 | FARMERS TELEPHONE COOPERATIVE | SCRANTON | SCTNSCXA | Florence |
| 240520 | FARMERS TELEPHONE COOPERATIVE | LYNCHBURG | LYBGSCXA | Lee |
| 240520 | FARMERS TELEPHONE COOPERATIVE | TURBEVILLE | TBVLSCXA | Clarendon |
| 240520 | FARMERS TELEPHONE COOPERATIVE | MAYESVILLE | MYVLSCXA | Sumter |
| 240520 | FARMERS TELEPHONE COOPERATIVE | SUMTER | SMTRSC02 | Sumter |
| 240520 | FARMERS TELEPHONE COOPERATIVE | KINGSTREE | NKGSSCXA | Williamsburg |
| 240520 | FARMERS TELEPHONE COOPERATIVE | NORTH SUMTER | NSMTSCXB | Sumter |
| 240520 | FARMERS TELEPHONE COOPERATIVE | WEST ANDREWS | WANDSCXA | Georgetown |
| 240520 | FARMERS TELEPHONE COOPERATIVE | OAKLAND | OKLDSCXA | Sumter |
| 240520 | FARMERS TELEPHONE COOPERATIVE | SUMTER | STBGSCXA | Sumter |
| 240520 | FARMERS TELEPHONE COOPERATIVE | POCALLA SPRINGS | POCLSCXA | Sumter |
| 240520 | FARMERS TELEPHONE COOPERATIVE | LANE | LANESCXA | Williamsburg |
| 240520 | FARMERS TELEPHONE COOPERATIVE | GREELEYVILLE | GRVLSCXA | Williamsburg |
| 240520 | FARMERS TELEPHONE COOPERATIVE | MANNING | NMNGSCXA | Clarendon |
| 240520 | FARMERS TELEPHONE COOPERATIVE | PINEWOOD | PNWDSCXA | Sumter |
| 240520 | FARMERS TELEPHONE COOPERATIVE | NORTH SUMMERTON | NSTNSCXA | Clarendon |
| 240520 | FARMERS TELEPHONE COOPERATIVE | BISHOPVILLE | BSVLSCAV | Lee |
| 240521 | FORT MILL TELEPHONE CO. | FORT MILL | FTMLSCXB | York |
| 240523 | HARGRAY TELEPHONE CO. INC. | HILTON HEAD ISLAND | HLHDSCXA | Beaufort |
| 240523 | HARGRAY TELEPHONE CO. INC. | HILTON HEAD ISLAND | HLHDSCXB | Beaufort |
| 240523 | HARGRAY TELEPHONE CO. INC. | HILTON HEAD ISLAND | HLHDSCXC | Beaufort |
| 240523 | HARGRAY TELEPHONE CO. INC. | HARDEEVILLE | HRVLSCXA | Jasper |
| 240524 | HEATH SPRINGS TELEPHONE CO. | HEATH SPRINGS | HTSPSCXA | Lancaster |
| 240527 | HOME TELEPHONE CO. INC. SC | JAMESTOWN | JMTWSCXA | Berkeley |
| 240527 | HOME TELEPHONE CO. INC. SC | MACEDONIA | MCDNSCXA | Berkeley |
| 240527 | HOME TELEPHONE CO. INC. SC | CROSS | CRSSSCXA | Berkeley |
| 240527 | HOME TELEPHONE CO. INC. SC | HUGER | HUGRSCXA | Berkeley |
| 240527 | HOME TELEPHONE CO. INC. SC | MONCK'S CORNER | MNCRSCXB | Berkeley |
| 240527 | HOME TELEPHONE CO. INC. SC | LEBANON | LBNNSCXA | Berkeley |
| 240527 | HOME TELEPHONE CO. INC. SC | HARLEYVILLE | HLVLSCXA | Dorchester |
| 240528 | HORRY TELEPHONE COOPERATIVE | CONWAY | FLYDSCXA | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | CONWAY | LORISCXA | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | WAMPEE | WAMPSCXA | Horry |

Alltel Communications, Inc.
State of South Carolina
Rural Telephone Company Study Areas
Served in their Entirety

| SAC | LEC NAME | WIRE CENTER | CLLI | COUNTY |
|------------|-------------------------------|--------------------|-------------|---------------|
| 240528 | HORRY TELEPHONE COOPERATIVE | AYNOR | AYNRSCXA | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | CONWAY | CNWYSCXM | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | CONWAY | CNWYSCXC | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | MYRTLE BCH | WMBHSCXA | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | CONWAY | CNWYSCXB | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | MYRTLE BCH | LKWDSCXA | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | BURGESS | CLCKSCXA | Horry |
| 240528 | HORRY TELEPHONE COOPERATIVE | MURRELLS INLET | MRINSCXA | Horry |
| 240531 | LANCASTER TELEPHONE CO. | LANCASTER | LNCSSCXA | Lancaster |
| 240531 | LANCASTER TELEPHONE CO. | FORT LAWN | FTLWSCXA | Chester |
| 240532 | LOCKHART TELEPHONE CO. INC. | LOCKHART | LCKHSCXA | Union |
| 240533 | MCCLELLANVILLE TELEPHONE CO. | MCCLELLANVILLE | MLVLSCXA | Charleston |
| 240533 | MCCLELLANVILLE TELEPHONE CO. | AWENDAW | AWDWSCXA | Charleston |
| 240535 | NORWAY TELEPHONE CO. INC. | NORWAY | NRWYSCXA | Orangeburg |
| 240536 | PALMETTO RURAL TELEPHONE COOP | COTTAGEVILLE | CTVLSCXA | Colleton |
| 240536 | PALMETTO RURAL TELEPHONE COOP | WALTERBORO | WLBOSCXE | Colleton |
| 240536 | PALMETTO RURAL TELEPHONE COOP | WILLIAMS | WLMSSCXA | Colleton |
| 240536 | PALMETTO RURAL TELEPHONE COOP | LODGE | LODGSCXA | Colleton |
| 240536 | PALMETTO RURAL TELEPHONE COOP | WALTERBORO | WLBOSC02 | Colleton |
| 240536 | PALMETTO RURAL TELEPHONE COOP | HENDERSONVILLE | HNVLSCXA | Colleton |
| 240539 | PBT TELECOM INC. | GILBERT | GLBRSCXA | Lexington |
| 240539 | PBT TELECOM INC. | SWANSEA | SWNSSCXB | Lexington |
| 240539 | PBT TELECOM INC. | PELION | PELISCXA | Lexington |
| 240539 | PBT TELECOM INC. | POND BRANCH | PNBHSCXA | Lexington |
| 240539 | PBT TELECOM INC. | RIDGE SPRING | RDSPSCXA | Saluda |
| 240539 | PBT TELECOM INC. | WAGENER | WGNRSCXA | Aiken |
| 240538 | PIEDMONT RURAL COOP | ENOREE | ENORSCXA | Spartanburg |
| 240538 | PIEDMONT RURAL COOP | GRAY COURT | GRCRSCXA | Laurens |
| 240538 | PIEDMONT RURAL COOP | LAURENS | LRNSSCXB | Laurens |
| 240538 | PIEDMONT RURAL COOP | GRAY COURT | HCTVSCXA | Laurens |
| 240538 | PIEDMONT RURAL COOP | WATERLOO | WTRLSCXA | Laurens |
| 240538 | PIEDMONT RURAL COOP | WEST END | WENDSCXA | Laurens |
| 240541 | RIDGEWAY TELEPHONE CO. | RIDGEWAY | RDWYSCXA | Fairfield |
| 240542 | ROCK HILL TELEPHONE CO. | ROCK HL | RCHLSCXB | York |
| 240546 | SANDHILL TELEPHONE COOP | CHESTERFIELD | CHFDSCXA | Chesterfield |
| 240546 | SANDHILL TELEPHONE COOP | RUBY | RUBYSCXA | Chesterfield |
| 240546 | SANDHILL TELEPHONE COOP | PAGELAND | PGLDSCXA | Chesterfield |
| 240546 | SANDHILL TELEPHONE COOP | PATRICK | PTRCSCXA | Chesterfield |
| 240546 | SANDHILL TELEPHONE COOP | JEFFERSON | JFSNSCXA | Chesterfield |
| 240546 | SANDHILL TELEPHONE COOP | MC BEE | MCBESCXA | Chesterfield |
| 240546 | SANDHILL TELEPHONE COOP | BETHUNE | BTHNSCXA | Kershaw |
| 240544 | ST. STEPHEN TELEPHONE CO. | ST STEPHEN | STSTSCXB | Berkeley |
| 240544 | ST. STEPHEN TELEPHONE CO. | ST STEPHEN | PIVLSCXA | Berkeley |
| 240544 | ST. STEPHEN TELEPHONE CO. | ST.STEPHEN | BONNSCXA | Berkeley |
| 240506 | UTC OF THE CAROLINAS | MOUNTVILLE | MTVLSCXA | Laurens |
| 240506 | UTC OF THE CAROLINAS | WARE SHOALS | WRSHSCXA | Greenwood |

Alltel Communications, Inc.
State of South Carolina
Rural Telephone Company Study Areas
Served in their Entirety

| SAC | LEC NAME | WIRE CENTER | CLLI | COUNTY |
|------------|----------------------------------|--------------------|-------------|---------------|
| 240506 | UTC OF THE CAROLINAS | EUTAWVILLE | ETVLSCXA | Orangeburg |
| 240506 | UTC OF THE CAROLINAS | NINETY SIX | NTSXSCXA | Greenwood |
| 240506 | UTC OF THE CAROLINAS | HODGES | HDGSSCXA | Greenwood |
| 240506 | UTC OF THE CAROLINAS | HOLLY HL | HLHLSCXA | Orangeburg |
| 240506 | UTC OF THE CAROLINAS | SALUDA | SALDSCXA | Saluda |
| 240506 | UTC OF THE CAROLINAS | GREENWOOD | GNWDSCXC | Greenwood |
| 240506 | UTC OF THE CAROLINAS | GREENWOOD | GNWDSCXB | Greenwood |
| 240506 | UTC OF THE CAROLINAS | BRANCHVILLE | BHVLSCXA | Orangeburg |
| 240506 | UTC OF THE CAROLINAS | TROY | TROYSCXA | McCormick |
| 240506 | UTC OF THE CAROLINAS | HAMPTON | HMPNSCXA | Hampton |
| 240506 | UTC OF THE CAROLINAS | ESTILL | ESTLSCXA | Hampton |
| 240506 | UTC OF THE CAROLINAS | ST. HELENA ISLAND | STHLSCXA | Beaufort |
| 240506 | UTC OF THE CAROLINAS | BEAUFORT | BUFTSCXA | Beaufort |
| 240506 | UTC OF THE CAROLINAS | BEAUFORT | LRBYSCXA | Beaufort |
| 240506 | UTC OF THE CAROLINAS | RIDGELAND | RDLSCXA | Jasper |
| 240506 | UTC OF THE CAROLINAS | RIDGELAND | LWCNSCAA | Beaufort |
| 240526 | VERIZON SOUTH INC.-SC (CONTEL) | SIMPSONVILLE | SSVLSCXA | Greenville |
| 240526 | VERIZON SOUTH INC.-SC (CONTEL) | SANTEE | SANTSCXA | Orangeburg |
| 240526 | VERIZON SOUTH INC.-SC (CONTEL) | ELLOREE | ELLRSCXA | Orangeburg |
| 240526 | VERIZON SOUTH INC.-SC (CONTEL) | BOWMAN | BWMNSCXA | Orangeburg |
| 240526 | VERIZON SOUTH INC.-SC (CONTEL) | JACKSON | JCSNSCXA | Aiken |
| 240550 | WEST CAROLINA RURAL TELEPHONE CO | DUE W | DWSTSCXA | Abbeville |
| 240550 | WEST CAROLINA RURAL TELEPHONE CO | STARR | STRRSCXA | Anderson |
| 240550 | WEST CAROLINA RURAL TELEPHONE CO | WEST ABBEVILLE | WAVLSCXB | Abbeville |
| 240550 | WEST CAROLINA RURAL TELEPHONE CO | IVA | IVA SCXA | Anderson |
| 240550 | WEST CAROLINA RURAL TELEPHONE CO | MOUNT CARMEL | MTCRSCXA | McCormick |
| 240550 | WEST CAROLINA RURAL TELEPHONE CO | PLUM BRANCH | PLBHSCXA | McCormick |
| 240550 | WEST CAROLINA RURAL TELEPHONE CO | CLARKS HILL | CLHLSCXA | McCormick |
| 240551 | WILLISTON TELEPHONE CO. | N | NRTHSCXB | Orangeburg |
| 240551 | WILLISTON TELEPHONE CO. | WILLISTON | WLSTSCXA | Barnwell |

EXHIBIT RR-3

Alltel Communications, Inc.
State of South Carolina
Wire Centers that Extend into Neighboring State

| SAC | LEC NAME | WIRE CENTER | CLLI | COUNTY |
|------------|--------------------------------|--------------------|-------------|---------------|
| 245194 | SOUTHERN BELL - SC (BELLSOUTH) | CLOVER | CLVRSCES | York |

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

IN THE MATTER OF

**APPLICATION OF ALLTEL
COMMUNICATIONS, INC. FOR
DESIGNATION AS AN ELIGIBLE
TELECOMMUNICATIONS CARRIER
PURSUANT TO SECTION 214(e)(2) OF THE
COMMUNICATIONS ACT OF 1934**

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)
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)
)
)
)

Docket No. 2007-151-C

DIRECT TESTIMONY OF

STEVE R. MOWERY

ON BEHALF OF

ALLTEL COMMUNICATIONS, INC.

June 15, 2007

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EXHIBIT LIST

| EXHIBIT | DESCRIPTION |
|----------------|---|
| SRM-1 | NTCA 2004 RURAL YOUTH TELECOMMUNICATIONS SURVEY |
| SRM-2 | NTCA 2005 RURAL YOUTH TELECOMMUNICATIONS SURVEY |

1 **I. IDENTIFICATION OF WITNESS, FACTUAL BACKGROUND,**
2 **AND PURPOSE OF TESTIMONY**

3 **Q: PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT AND BUSINESS ADDRESS.**

4 A: My name is Steve R. Mowery. I am employed by Alltel Communications, Inc. as Vice
5 President – Public Policy. My business address is One Allied Drive, Little Rock,
6 Arkansas 72202.

7 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A: I offer this testimony in support of the Application of Alltel Communications, Inc.
9 (“Alltel Wireless” or “Company”) to be designated as a federal eligible
10 telecommunications carrier (“ETC”) by the Public Service Commission of South
11 Carolina (“Commission”). Specifically, I will address how Alltel Wireless’ designation
12 as a competitive ETC is in the public interest.

13 **Q: WHAT ARE YOUR RESPONSIBILITIES WITHIN ALLTEL WIRELESS?**

14 A: My primary responsibilities include management of public policy matters for Alltel’s
15 wireless communications subsidiaries, including Alltel Wireless. In that capacity, I have
16 gained substantial knowledge about the products and services offered by Alltel Wireless,
17 as well as the Company’s network and business operations. I have also developed
18 substantial knowledge about the federal universal service support mechanisms and the
19 Federal Communications Commission’s (“FCC”) public interest analysis.

20 **Q: PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.**

21 A: I began my telecommunications career in 1978 with Allied Telephone Company, a
22 predecessor of Alltel Wireless, as an accountant. I have served in various wireline and
23 wireless managerial positions in the areas of accounting, revenue requirements,

1 regulatory and government affairs over the last 28 years and I have served on various
2 industry committees and boards.

3 **Q: HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE A REGULATORY COMMISSION?**

4 A: Yes. I have testified on numerous occasions before various State regulatory commissions
5 regarding both wireline and wireless matters, including proceedings on universal service,
6 ETC designations, interconnection, rate making, and rulemaking dockets.

7 **II. ALLTEL WIRELESS' DESIGNATION AS A COMPETITIVE ETC**
8 **WILL PROMOTE THE PUBLIC INTEREST**

9 **Q: DOES CONSIDERATION OF THE PUBLIC INTEREST APPLY IN THIS PROCEEDING?**

10 A: Yes. In a non-rural telephone company study area, the Commission is to designate a
11 competitive ETC "consistent with the public interest, convenience, and necessity."
12 47 U.S.C. § 214(e)(2). Pursuant to Section 009.02B of the Commission's ETC
13 designation rules, the Commission must further consider the public interest benefits of
14 increased consumer choice and the unique advantages and disadvantages of the
15 applicant's service offerings before designating a competitive ETC in a rural telephone
16 company study area.

17 **Q: HAVE ANY OTHER STATE COMMISSIONS CONSIDERED WHETHER DESIGNATING ALLTEL**
18 **WIRELESS AS A COMPETITIVE ETC SERVES THE PUBLIC INTEREST?**

19 A: Yes, they have. Several other State commissions have determined that Alltel Wireless'
20 designation as a competitive ETC will serve the public interest. For example, the
21 Arkansas Public Service Commission specifically identified the benefits of mobility and
22 Alltel Wireless' expanded local calling areas as providing significant public interest
23 benefits to consumers:

24 If ALLTEL is granted ETC status, customers, particularly Lifeline and
25 Linkup customers, will have the benefits of a substantially increased local
26 calling area. This could serve to reduce their toll bills and could make the

1 service offered by an alternative ETC much more economically desirable.
2 ALLTEL also asserts that its customers will have the benefit of mobility
3 which the existing ETC does not currently provide.¹

4 Additionally, the Michigan Public Service Commission relied in part on the benefits of
5 competition and consumer choice to find that Alltel Wireless' designation would serve
6 the public interest:

7 The parties to this proceeding opposing ALLTEL's application argue that
8 granting ALLTEL's application is not in the public interest. The
9 Commission disagrees. On numerous occasions, the commission has
10 found that competition can be advantageous to the citizens of this state. In
11 this case, designating ALLTEL as an ETC is in the public interest because
12 it is likely to promote competition and provide benefits to customers in
13 rural and high-cost areas by increasing customer choice, while promoting
14 innovative services and new technologies, and encouraging affordable
15 telecommunications services. Further, ALLTEL provides service where
16 there are few, if any competitive local exchange carriers.²

17 Similarly, the Public Service Commission of Wisconsin endorsed Alltel Wireless'
18 competitive entry as an ETC, writing:

19 The Commission finds that designating ALLTEL as an ETC in areas
20 served by rural companies will increase competition in those areas and, so,
21 will increase consumer choice. While it is true that ALLTEL is currently
22 serving in at least some of these areas, the availability of high cost support
23 for infrastructure deployment will allow ALLTEL to expand its
24 availability in these areas. Further, designation of another ETC may spur
25 ILEC infrastructure deployment and encourage further efficiencies and
26 productivity gains. Additional infrastructure deployment, additional
27 consumer choices, the effects of competition, the provision of new
28 technologies, a mobility option and increased local calling areas will
29 benefit consumers and improve the quality of life for affected citizens of
30 Wisconsin. As a result, the Commission finds that it is in the public

¹ *In the Matter of the Application of Alltel Communications, Inc. for Designation as an Eligible Telecommunications Carrier*, Docket No. 03-138-U, Order No. 5 (AR PSC Dec. 31, 2003).

² *In the Matter of the Application of Alltel Communications, Inc. for Designation as an Eligible Telecommunications Carrier*, Case No. U-13765, Order (MI PSC Sept. 11, 2003).

1 interest to designate ALLTEL as an ETC in the areas served by rural
2 telephone companies for which it has requested such designation.³

3 **1. Alltel Wireless' Designation As A Competitive ETC Will Increase Consumer Choice**
4 **And Provide The Benefits Of Competition**

5 **Q: HOW DOES COMPETITION RELATE TO THE PUBLIC INTEREST IN THIS PROCEEDING?**

6 A: The public interest benefits resulting from competition are well-known and cannot be
7 overstated in rural areas. A competitive marketplace encourages carrier innovation in
8 products and services, produces incentives for efficiencies and increases the service
9 options available to consumers. It is particularly important in rural areas where the
10 carrier's cost of deploying new services is high. Wireless service, while nearly
11 ubiquitous in urban settings, is less competitive in rural areas. Thus, providing universal
12 service support to competitive carriers, like Alltel Wireless, to build and maintain the
13 necessary infrastructure to serve rural and high-cost areas will provide South Carolina
14 rural consumers with access to telecommunications services comparable to those
15 available in more urban areas and will further encourage a competitive marketplace.

16 **Q: HOW DOES PROTECTION OF THE ILECS FIT INTO THE PUBLIC INTEREST ANALYSIS?**

17 A: It doesn't. The public interest analysis should emphasize competition and consumer
18 benefits, not incumbent protection. The FCC has determined that universal service
19 support should be portable, and a competitive ETC will only receive support for the
20 customers it serves. Thus, consumers will benefit as both the incumbent and competitive
21 ETC compete for customers. This is a good result for consumers and should not be
22 sacrificed to protect the monopoly status of any ILEC.

³ *Application of Alltel Communications, Inc., Alltel Wireless of Wisconsin RSA #1, LLC and Alltel Wireless of Wisconsin RSA #7, LLC for Designation as an Eligible Telecommunications Carrier in Wisconsin, Case No. 7131-TI-101, Final Decision (WI PSC Sept. 30, 2003).*

1
2 **Q: WILL ALLTEL WIRELESS' ETC DESIGNATION HAVE ANY EFFECT AT ALL ON THE**
3 **ILECs?**

4 A: I would expect only positive effects – Alltel Wireless' designation as a competitive ETC
5 will likely provide positive incentives for the ILECs to respond to competitive pressure.
6 This competitive pressure will serve as an incentive for the ILECs to invest in new
7 technologies and additional infrastructure, which will benefit consumers.

8 **Q: IS THERE ANY REASON TO BELIEVE THAT THE SERVICE AREA WHEREIN ALLTEL**
9 **WIRELESS SEEKS DESIGNATION IS INCAPABLE OF SUPPORTING MORE THAN ONE ETC?**

10 A: There is nothing I am aware of to suggest that Alltel Wireless' requested service area is
11 unable to support competition. Alltel Wireless has been designated as a competitive ETC
12 in similar rural other states. I am not aware of any facts that would suggest Alltel
13 Wireless' requested service area in South Carolina is unable to support competition when
14 these other areas are able to do so.

15 **Q: HAVE ANY ILECS RELINQUISHED ETC DESIGNATION AS A RESULT OF THE**
16 **DESIGNATION OF A COMPETITIVE ETC?**

17 A: Not to my knowledge. Dozens of competitive ETCs have been designated in rural study
18 areas across the country. To my knowledge, no ILEC has ever relinquished ETC
19 designation as a result of the designation of a competitive ETC. To me, this confirms that
20 rural service areas, in general, are capable of supporting competition.

21 **2. Alltel Wireless' Designation As A Competitive ETC Will Provide Greater Access To**
22 **The Advantages Of Its Unique Service Offerings**

23 **Q: WHAT ARE SOME OF THE ADVANTAGES OF ALLTEL WIRELESS' SERVICE OFFERINGS?**

24 A: First and foremost is the benefit of mobility. The FCC and other State commissions have
25 consistently recognized the consumer benefits of expanded access to mobile
26 telecommunications services in rural areas. Although the FCC has observed that the

benefit of mobility itself is not a sufficient reason to designate a competitive ETC, it remains a very important consideration.

Q: DO ALLTEL WIRELESS' SERVICE OFFERINGS PROVIDE OTHER BENEFITS?

A: Yes. Alltel Wireless also offers its South Carolina subscribers dramatically larger local calling areas as compared to the ILECs. As depicted on Exhibit B of Alltel Wireless' Application, Alltel Wireless' smallest local calling area in South Carolina is significantly larger than the comparable calling areas of the ILECs. Thus, consumers in rural South Carolina will immediately benefit from having access to these expanded local calling areas. The nature of Alltel Wireless' local calling areas provides rural consumers the advantage of calling outside their ILEC local calling area without incurring toll charges.

Q: ARE THERE OTHER EXAMPLES OF CONSUMER BENEFITS THAT ALLTEL WIRELESS WILL PROVIDE?

A: Yes. As discussed elsewhere in my testimony, as well as in the Direct Testimony of Rohan Ranaraja, some of the tangible benefits and advantages of Alltel Wireless' service offerings include:

- a choice of services, features and pricing that best meet the individual consumer needs;
- the economic, health and safety benefits associated with the availability of wireless service in rural areas;
- the availability of wireless and enhanced telecommunications services in rural and high-cost areas at costs comparable to those available in urban areas;
- the offering of flexible bundled service offerings, including toll free calling options;
- the availability of service in currently unserved or underserved areas and signal coverage over a much broader area than a wireline provider;
- the availability of faster service activation with the potential avoidance of ILEC line extension charges;
- extended customer service hours; and

- 24-hour technical support; and
- the availability of state-of-the-art network technology and customer equipment that provides access to both voice and high-speed data services.

3. Alltel Wireless' Designation As A Competitive ETC Will Encourage The Deployment Of Advanced Wireless Services In Rural And High-Cost Areas

Q: WILL ALLTEL WIRELESS' DESIGNATION AS AN ETC FURTHER ENCOURAGE THE RAPID DEPLOYMENT OF NEW TELECOMMUNICATIONS TECHNOLOGIES?

Yes. Alltel Wireless will provide consumers within its requested service area basic and enhanced services comparable to those provided in urban areas, including Voicemail, Call Waiting, Call Forwarding, Caller ID, Three-way Calling, Text Messaging, Enhanced Directory Assistance, Wireless Data Services, GPS-enabled E911, access to 24-hour emergency roadside assistance, etc. Alltel Wireless utilizes an advanced services technology platform that is fully compatible with facilitating the availability of enhanced telecommunications and information services.

4. Alltel Wireless' Designation As A Competitive ETC Will Provide A Competitive Alternative To Unserved Or Underserved Consumers

Q: WILL ALLTEL WIRELESS' DESIGNATION AS AN ETC RESULT IN MORE OPPORTUNITIES FOR CURRENTLY UNSERVED OR UNDERSERVED CUSTOMERS TO HAVE ACCESS TO SERVICE?

A: Yes. Because Alltel Wireless will be providing services consistent with the federal universal service requirements, the Company's designation as a competitive ETC will allow consumers who are not currently receiving telephone service of any kind an opportunity to obtain service. Moreover, Alltel Wireless' participation in the Lifeline and Link Up programs may make the difference for some qualified low-income consumers, allowing them telephone service for the first time. It is also important to remember that while wireless technology and networks have been rapidly deployed in the past 15 years, wireless service in rural areas has been slower to develop. Alltel Wireless' designation as a competitive ETC will allow some South Carolina consumers in rural and high-cost areas to have access to this technology for the first time.

1 **4. Alltel Wireless' Designation As A Competitive ETC Will Promote Rural-Urban**
2 **Parity In The Availability And Cost Of Telecommunications Services**

3 **Q: WILL ALLTEL WIRELESS' DESIGNATION FURTHER THE GOAL OF COMPARABILITY**
4 **BETWEEN URBAN AND RURAL AREAS?**

5 A: Yes, it will. Alltel Wireless strives to provide services to our rural subscribers that
6 contain features comparable to those available in urban areas, and at rates that are
7 comparable to those offered by wireless carriers in urban areas. In fact, customers in
8 rural South Carolina can receive service from Alltel Wireless at the same rates available
9 to customers in Columbia. It is difficult to accomplish this in rural areas because the
10 limited number of potential subscribers may not generate sufficient return on investment
11 to justify expanding coverage, or capacity or otherwise improving and maintaining
12 facilities, in certain areas. Access to universal service support will assist Alltel Wireless
13 in expanding coverage and capacity in rural areas to levels like those that customers see
14 in larger urban markets. This is one of the key purposes for which the federal universal
15 service fund was created. Additionally, as we extend coverage and expand capacity, we
16 expect to build network infrastructure that will support not only basic voice services, but
17 also our advanced data services.

18 **5. Alltel Wireless' Designation As A Competitive ETC Will Provide Public Safety And**
19 **Health Benefits For Consumers**

20 **Q: DO ALLTEL WIRELESS' SERVICE OFFERINGS PROVIDE EXPANDED ACCESS TO PUBLIC**
21 **SAFETY AND EMERGENCY SERVICES?**

22 A: Yes. This benefit is especially important in the rural areas in which Alltel Wireless seeks
23 designation in this proceeding. The availability of mobile wireless service provides
24 access to emergency services that can mitigate the unique risks of geographic isolation
25 associated with living in rural communities. The National Telecommunications

Cooperative Association (“NTCA”) also recently discussed the essential safety benefits of wireless service in its *2004 Rural Youth Telecommunications Survey*:

An astonishing 86% of survey respondents said they have their own wireless phone, leaving only 14% without. This penetration rate among rural teens, which is significantly higher than estimations for the youth market on a national level, most likely is attributed to the safety and convenience issues associated with life in small towns. While statistics show that the crime rates in small towns typically are lower than those in urban areas, safety still is a major concern due to the spread-out nature of rural communities, the long distances traveled to go to school or sports activities, and the steady decline of payphones in small communities. When a teen becomes stranded with a flat tire on a rural road at night, a personal, mobile communication device is more than a convenience. It is a safety tool. The fear of scenarios such as this provides much of the push behind wireless penetration in rural youth markets. For this reason, a mobile wireless device increasingly is seen as more of a necessity than a luxury in rural America.

* * *

One might think that teens provide the impetus for subscribing to wireless telephone service. However, further investigation reveals that many don’t even have to ask for the phone, but instead are offered the device by their parents, as 60% of survey takers indicated that their parent or guardian pays for the service. Safety issues and the desire to “keep in touch” were the prime motivating factors behind the parental purchases of wireless service. (Emphasis added).

And in its *2005 Rural Youth Telecommunications Survey*, the NTCA found:

According to survey respondents, personal safety and peace of mind are important factors driving cellular phone usage. The most commonly cited reason for cellular phone ownership is staying in touch with parents/guardians and vice versa. The second most commonly cited reason is safety concerns/emergency use; the third is to stay in touch with friends; and the fourth is for job related reasons. Fifty-six percent say that having a cellular phone for personal safety is equally as important as staying in touch with family and friends, 21% say it is more important than staying in touch with family and friends, 14% say it is less important than staying in touch with family and friends. Only 9% say that personal safety is not a concern. (Emphasis added).

Copies of NTCA's 2004 and 2005 surveys are attached to my testimony as **Exhibit SRM-1** and **Exhibit SRM-2**.

6. Alltel Wireless' Designation As A Competitive ETC Is Important To The Long-Term Economic Development Of Rural And Insular Areas Of South Carolina

Q: WHAT IMPACT DOES THE AVAILABILITY OF WIRELESS SERVICE HAVE ON ECONOMIC DEVELOPMENT?

A: The availability of reliable wireless service is an important factor to ensuring the economic health of rural areas. Alltel Wireless has heard from elected officials and economic development directors that it can be very difficult to bring economic development and employers to rural areas that do not have sufficient wireless service.

7. Alltel Wireless' Designation As A Competitive ETC Will Not Significantly Impact The Size Of The Federal Universal Fund

Q: WILL GRANTING ALLTEL WIRELESS' APPLICATION IN THIS PROCEEDING HAVE A SIGNIFICANT IMPACT ON THE SIZE OF THE FEDERAL UNIVERSAL SERVICE FUND?

A: No. Designating Alltel Wireless as a competitive ETC in this proceeding will not result in any appreciable increase in the size of the federal fund. The FCC has determined that given the total size of the federal universal service fund – approximately \$4 billion a year – it is unlikely that any individual ETC designation would have a substantial impact on the size of the fund. If the Commission grants Alltel Wireless' Application, the Company currently estimates that it would be eligible to receive approximately \$ 20 million per year in high-cost universal service support. This represents approximately a 0.5% impact on the federal fund based on initial USAC projections for the third quarter of 2007. Therefore, granting Alltel Wireless' Application would not have a significant impact on the size of the federal universal service fund.

1 **Q: IF THE COMMISSION HAS ALREADY DESIGNATED A COMPETITIVE ETC IN A SERVICE**
2 **AREA, WOULDN'T DESIGNATING ALLTEL WIRELESS DOUBLE THE IMPACT ON THE**
3 **FEDERAL UNIVERSAL SERVICE FUND?**

4 A: No. As I previously explained, a competitive ETC will only receive universal service
5 support for the subscribers that it serves. While consumers may likely purchase service
6 from both the incumbent telephone company and a competitive ETC, most consumers
7 will not purchase service from multiple competitive ETCs. Thus, only one competitive
8 ETC will receive universal service support for serving a particular consumer, and the fact
9 that there is more than one competitive ETC will have no impact on the size of the federal
10 fund.

11 **Q. WILL ALLTEL WIRELESS' ETC DESIGNATION HAVE AN EFFECT ON THE AVAILABILITY**
12 **OF FEDERAL UNIVERSAL SERVICE FUNDING FOR THE STATE OF SOUTH CAROLINA?**

13 A: Yes – it will have a positive effect on the overall availability of federal universal service
14 funding for South Carolina. The federal universal service program was designed to shift
15 dollars from low-cost urban markets to provide a subsidy to carriers serving rural, high-
16 cost areas and qualified low-income consumers. Federal universal service funding makes
17 a significant difference in the investment that is made in the rural States that have
18 designated competitive ETCs. Other State commissions have used the federal universal
19 service program to generate investment in rural areas of their States. Alltel Wireless'
20 South Carolina customers pay into the federal universal service fund in order to support
21 universal service in rural America, regardless of Alltel Wireless' status as an ETC in
22 South Carolina. It is only through Alltel Wireless' designation as an ETC in South
23 Carolina that these customers can receive the associated benefits that accrue to customers
24 of ETCs in other rural States. Because Alltel Wireless' designation as a competitive ETC
25 will have almost no effect on the size of the universal service fund, no effect on the

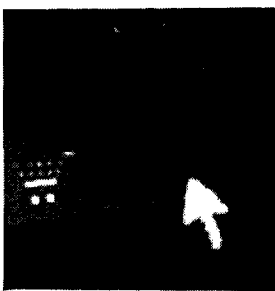
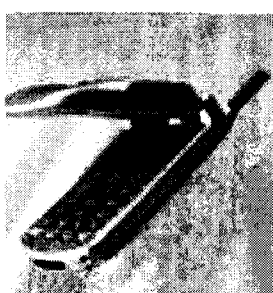
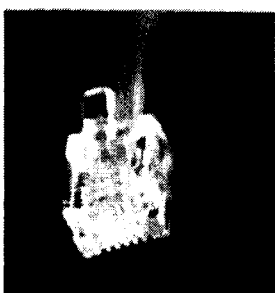
1 availability of universal service funds to ILECs, and a positive effect on the availability
2 of universal service funds to benefit South Carolina consumers, the public interest factors
3 strongly favor granting Alltel Wireless' Application.

4 **Q: DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 **A: Yes.**

EXHIBIT SRM-1

2004 Rural Youth Telecommunications Survey



***Teen Preferences Create New Windows
of Opportunity for Rural Telecom Carriers***

Foundation
for Rural Service



NTCA
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
The Voice of Rural Telecommunications
www.ntca.org



ABOUT THE NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION



NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

The Voice of Rural Telecommunications

www.ntca.org

The National Telecommunications Cooperative Association (NTCA) is the preeminent telecommunications industry organization dedicated exclusively to representing and serving the interests of the nation's small, rural incumbent local exchange carriers (ILECs). These cooperative and commercial community based telecommunications providers play a leading role in advancing the communications revolution currently underway. Their presence in rural communities helps ensure the economic future of those communities, as well as that of the individuals they serve.

NTCA was formed by a group of these rural carriers in 1954 to help ensure their telecommunications interests were fully recognized and understood by federal policy-makers. The mission of NTCA and its members is clear—to ensure their ability to provide rural consumers with access to the most advanced, affordable communications services of the era. For more information about NTCA and its members, visit our Web site at www.ntca.org, or call 703-351-2035.

ABOUT THE FOUNDATION FOR RURAL SERVICE



Foundation
for Rural Service

The Foundation for Rural Service (FRS) was founded in 1994 to help strengthen the ties between rural communities and their families and businesses. Since its establishment by the National Telecommunications Cooperative Association, FRS has worked hard to promote, educate and advocate rural telecommunications issues to the public in order to sustain and enhance the rural way of life throughout America. Besides being heavily involved in youth education and empowerment, the Foundation for Rural Service leads aggressive public information campaigns and assists rural areas with economic and community development projects. For more information on FRS, visit our Web site at www.frs.org, or call 703-351-2026.

2004 Rural Youth Survey Reveals Shift in Teen Preferences; New Windows of Opportunity for Rural Telecom Carriers

By Athena Platis, NTCA Wireless Industry Analyst

Young people are no strangers to telecommunications. One glance at world headlines proves they are using technology to do everything from foiling crimes through the use of mobile telephones embedded with tiny cameras to creating and releasing destructive Internet worms. The National Telecommunications Cooperative Association (NTCA) and the Foundation for Rural Service (FRS) recognize this, and through their annual rural youth survey, have encouraged rural carriers to “connect” with teens¹ in their markets and unlock the potential within.

The purpose of the annual youth survey, now in its third year, is to determine the unique telecom preferences of young consumers from rural areas and convey them to small independent carriers, so that they might modify their product offerings accordingly. Continuing the tradition of past surveys, questionnaires were sent to 2,000 former FRS Youth Tour participants and applicants to the FRS College Scholarship Program. Of these survey sent to youth² in rural communities across the United States, 670 were filled out and returned³.

Confronting the Rural ‘Brain Drain’

Rural America is threatened by a “brain drain”—its young people typically go away to college in larger metropolitan areas, and in many cases, leave behind for good their rural homes to live in urban areas after graduation. This loss of an educated labor force could have a potentially dramatic impact on the future viability of rural America. The ability to offer the same state-of-the-art telecommunications services as are available in non-rural areas could play a significant role in increasing the attractiveness and livability of rural communities.

Though telecom carriers of all sizes long have been advised to focus on these young consumers and begin building relationships with their “business customers of tomorrow,” the return on an investment in the youth market likely will materialize much, much sooner. When it comes to telecommunications, teens already are big spenders, and experts predict their wireless spending will increase dramatically over the next year.⁴ With this in mind, NTCA and FRS recommend rural telecom carriers use the results of this report⁵, in conjunction with their own market research, to customize their youth-focused offerings and implement or enhance their targeted marketing and sales efforts

¹ In this report, the terms “teen” or “youth” are used to refer to those in the 17-20 age group.

² The majority of survey respondents-- 69%--attend a four -year college or university, and 18% attend a two-year college. High school students made up 10% of survey takers, with the remaining 3% not currently enrolled in school.

³ Resulting in a 34% return rate.

⁴ Boston-based market research firm Yankee Group estimates that teenaged wireless users in the U.S. generated \$5 billion in service revenues in 2003 and expects that figure to jump to \$21 billion for 2004.

⁵ Percentages may not add up to 100 due to rounding.

today, so that they too might reap benefits from the new wave of revenue expected over the next few years.

Wireless Penetration Among Rural Teens Continues to Rise

An astonishing 86% of survey respondents said they have their own wireless phone, leaving only 14% without. This penetration rate among rural teens, which is significantly higher than estimations for the youth market on a national level,⁶ most likely is attributed to the safety and convenience issues associated with life in small towns.

While statistics show that the crime rates in small towns typically are lower than those in urban areas, safety still is a major concern due to the spread-out nature of rural communities, the long distances traveled to go to school or sports activities, and the steady decline of payphones in small communities. When a teen becomes stranded with a flat tire on a rural road at night, a personal, mobile communication device is more than a convenience. It is a safety tool. The fear of scenarios such as this provides much of the push behind wireless penetration in rural youth markets. For this reason, a mobile wireless device increasingly is seen as more of a necessity than a luxury in rural America.

In addition, wireless service can be expected to have a higher penetration rate among college students not living at home than among high school students. Wireless service not only offers increased convenience and privacy, but also can free college students from having to subscribe to the typically high-priced, low-quality, university-provided wireline phone service.

Among those survey respondents who were cellular customers, very few, just 5%, identified themselves as prepaid wireless customers. The other 95% have postpaid wireless service contracts. These numbers have shifted slightly from the 2003 survey, which placed the division at 7% and 93% for prepaid and postpaid wireless customers, respectively. Of those indicating they prepay for wireless service, 50% said they do so because their parents buy their phone and plan. This indicates that parental decision-makers are a major force behind prepaid wireless, a factor that rural carriers should consider when marketing such services.

This year's survey also shows that parents largely support traditional contract wireless services, with 60% of survey takers reporting that their parents buy their phone and pay for their airtime each month. With the role of parents as bill-payers in mind, where and when feasible, rural carriers should consider bundling landline and wireless services into one bill. Since the survey shows parents, generally, are paying for their teens' wireless consumption, it makes sense to consolidate wireless services into a bill they already are paying. Such a convenience could be a significant factor when parents are deciding on a carrier for their child's wireless service.

⁶ According to a 2003 study the Yankee Group, nationwide, 56% of young people ages 11 to 17 own or share a cellular phone.

Voice Still 'King' in Rural Areas, but Text Messaging Catching On

The frequency of wireless phone usage among rural youth appears to be on the rise, with 45% of respondents saying they “always” use their wireless phones, up from 38% last year. The number of respondents indicating that they “frequently” use their cellular phones fell to 43%, down from 46% last year. This drop can be contributed partially to a shift in responses from “frequently” to “always,” as noted above.

Ninety-eight percent of survey takers said they use their wireless phones most often for voice calls, proving voice is still the “killer app,” despite increasing industry hype surrounding wireless data services. And young people in rural areas seem to have plenty to say: 30% of the rural teens surveyed said they racked up, on average, between 251 and 500 minutes of use per month on their cellular phones, relatively the same as last year’s 31% result for this category. The percent of survey respondents that identified themselves as users of, on average, between 501 and 750 wireless minutes per month increased slightly, to 23%, up from 20% in 2003.

This slow trend toward increased monthly usage had a mild effect on the lower part of the minute scale, with 22% of respondents indicating they use 250 minutes or less each month, down from 26% the year before. On the high end, responses from those using between 751 and 1,000 minutes also were up slightly, from 12% in 2003 to 14% this year. The results for the 1,001 minutes or more category held steady at 11%.

The survey shows the average monthly bill of rural youth has increased over the last year, with 31% of respondents saying they generally spend between \$51 and \$100 a month on wireless services, up from last year, when the same category generated a response of only 19%. This jump in wireless spending is reflected in the decline in responses for monthly bills ranging from \$26 to \$50. This year that category received only 53% of responses, down from 64% last year. When those without wireless phones were asked for the primary reason they didn’t have one, 58% indicated that service was too expensive.

The survey further shows that the wireless messaging craze has finally hit rural markets, with defined increases in text messaging usage since 2003. Most significantly, 12% of respondents specified that they “frequently” use the text messaging feature on their phones, double last year’s 6%. Forty-six percent of survey respondents said they “never” text message from their mobile phones. This is a significant change from last year, when 62% noted that they “never” sent text messages from their wireless phones.

Local Calling Gains Ground in Promotional Popularity

When it comes to wireless service promotions, the preference for free nighttime minutes beat out free long-distance, which was last year’s favorite. The free nighttime minutes option was preferred by 38% of survey respondents, up from 27% last year, followed by free long-distance at 21%, down from 31% in 2003. This shift seems to indicate that rural teens are using their wireless phones most frequently for local, rather than long-distance, calling. This would be good news for small wireless operators that can more easily afford to give away in-network minutes and local out-of-network calls than long-distance calls.

If this trend toward local calling continues, rural wireless carriers could find themselves better positioned to compete with the nationwide carriers, which currently are eating into their customer bases with hard-to-match long-distance promotions. The survey also indicates that free roaming, family plans and “buddy plans” proved to be less popular promotions among rural youth, resulting in responses of 13%, 10% and 2%, respectively.

The survey also shows that rural teens continue to prefer larger wireless companies for their wireless carrier of choice, with 75% of respondents indicating they are customers of nationwide carriers, up from 70% last year. As a result, responses from those served by small regional carriers dropped to 20%, down from 23% the year before. While these numbers seem to illustrate small regional wireless carriers are losing ground in the race for share of their own youth markets, the shift in consumer preference from free long-distance to free local could create a foothold for small carriers in the struggle against their larger competitors.

Rural Youth Show Trend Toward Wireless Displacement of Wireline Services

Survey results indicate that wireless displacement of wireline services is not just a threat, but an emerging reality. In fact, wireline displacement is growing at an alarming rate among rural youth, with 20% of survey takers saying they “rarely” use the landline phone in their residence, up from just 13% last year⁷. Those indicating they “never” use the landline phone in their homes also jumped sharply, from 6% last year to 14% this year. This trend shows the slow but steady progression of the youth market toward complete disassociation from landline phones.

This shift toward wireless not only is logical because of the obvious convenience and mobility factors, but also because cellular phones provide an outlet for personal expression and privacy usually not attainable with landline phones. Recognizing this connection between wireless phones and self-expression is wireless handset maker Nokia. The company is pushing the role of wireless phones in teen culture through the creation of YouthActionNet, an online forum and Web site designed to encourage activism and interaction among young people via high-tech communications tools, such as the Internet and wireless telephony⁸.

The integration of mobile phones and their capabilities into the lifestyles of teenagers makes portability a critical factor. For this reason, it is not surprising to find that, when asked which phone feature was most important, an overwhelming 59% of survey takers said “small size.” The response beat out other options less critical to ease of portability, including color screen, camera features and downloadable ring-tone capabilities. Rural wireless carriers should consider this preference and keep the very “mobile” nature of school-going teens in mind when selecting handsets for their product portfolios.

⁷ Market research firm In-Stat/MDR finds that 14.4% of U.S. consumers use a wireless phone as their primary phone, versus 85.6% who still use a landline as their primary phone. The firm also reports that of those consumers still using a landline as their primary phone, 26.4% would consider replacing it with a wireless phone, creating a considerable potential for wireline displacement over the next few years.

⁸ Nokia, together with the International Youth Foundation, launched YouthActionNet in 2001.

The survey shows that 58% of respondents use their landline phones primarily for local calls, down only slightly from last year's 61%. With so many wireless plans now offering free long-distance calling, it is not surprising that landlines would be reserved almost entirely for local calling. This was underscored by the response rate in the survey, as only 8% of respondents said their primary use for landline is long-distance calling. Of those surveyed, 14% said they use their landline primarily for an Internet connection.

High-Tech Teens Can Deliver Revenue Boon for Rural Carriers; Act as Gateway to Recruiting Older Customers

One might think that teens provide the impetus for subscribing to wireless telephone service. However, further investigation reveals that many don't even have to ask for the phone, but instead are offered the device by their parents, as 60% of survey takers indicated that their parent or guardian pays for the service. Safety issues and the desire to "keep in touch" were the prime motivating factors behind the parental purchases of wireless service.

As current events and the heightened state of national security direct trends in the demand for mobile wireless service, rural carriers have new opportunities to play a role in personal safety⁹. With this in mind, rural carriers would be wise to add indirect marketing techniques to their existing campaigns in which promotions and sales, though aimed at the youth market, are funneled through their parents.

By incorporating these alternate routes for telecommunications marketing, carriers could expand their reach and, potentially, win more subscribers. In fact, this kind of marketing has the potential to become circular, because parents often come to operate high-tech/telecom devices, and integrate them into their daily lives either by passively watching or actively learning from their tech-savvy children.

Rural carriers should not only target the youth market as a customer base in and of itself, but also should view young people as possible conduits for bringing advanced telecommunications services into the homes and lives of the often less technology-literate middle-aged consumer.

⁹ Safety is a two-way street, however, and although cellular phones can be life-saving devices, they also have been, for years, viewed as instruments of distraction, most notably when used by drivers in their cars. While driver distraction due to cellular phone use is dangerous enough alone, when inexperience behind the wheel is added into the mix, the result can be especially deadly/dangerous. The National Transportation Safety Board began calling for a ban on cellular phone use by new drivers last year. Similarly, a bill that would make it illegal for 16- and 17-year-old drivers to use cellular phones while driving a car was introduced by the California Senate committee in April 2004. Other state governments are considering similar legislation. Rural wireless carriers can contribute to these safety-focused efforts by developing campaigns, perhaps in cooperation with area high schools and driver education centers, that promote sensible wireless usage and avoiding phone usage while driving. Companies such as Cingular Wireless and NEC America already have similar initiatives in place.

Internet Usage Patterns Hold Steady, but Broadband Penetration is on the Rise

Forty-five percent of respondents said they use the Internet most often to access educational or reference material. This result is up only slightly from 42% last year, but shows a significant growth trend since 2002, when the category garnered only 32% of the responses. The popularity of educationally focused Web use is logical for this target group, considering 97% of this year's survey takers were enrolled in school¹⁰. Entertainment content on the Internet maintained its popularity, resulting in 32% of the response, virtually unchanged from 31% in 2003.

Those indicating they accessed music-related Web sites decreased to 12% this year, down from 16% in 2003 and 20% in 2002. This decline should not be attributed to a lack of desire by teenagers to access music online, but instead should be seen as a side effect of the backlash by the music industry over music unlawfully downloaded from the Internet, which has led to the legal prosecution of many young people. The increasing availability of music downloads on mobile handsets undoubtedly is a contributor as well. Teens who said they visited news and sports-related Internet sites most often resulted in only 6% and 5% of responses, respectively.

As for time spent online, 47% said they spend, on average, between one and three hours a day online, up from 43% last year. This was followed by 38% who said they spend less than an hour online, a slight decrease from 40% in 2003. This category was rounded out by the 12% who said they spent between three and six hours a day online, as compared to 13% last year, and the 3% who indicated they spent more than six hours a day surfing the Internet, also a slight decline from last year's 4%.

An overwhelming 83% of teens surveyed said they had Internet access both at home and at school. When it comes to Internet connections, the survey shows an increased penetration of broadband in rural areas. One-fourth, or 25%, of survey-takers, identified themselves as having a DSL (digital subscriber line) Internet connection, up significantly from 16% last year. This shift toward broadband partially is responsible for the decrease in response from dial-up customers, which fell to 50% this year, down from 57% in 2003 and 70% in 2002. The tally for cable and wireless connections remained fairly steady at 13% and 3%, respectively.

Rural Youth Should Be Paramount in Rural Carriers' Business Plans

NTCA and FRS are committed to helping rural carriers bring advanced telecommunications to rural America, not only to maximize their revenues today, but also to create environments that are technologically advanced enough to attract and keep young people in rural America in the years to come. With this goal in mind, NTCA and FRS advise small rural telecommunications carriers to consider the young consumers in their service areas a top priority when creating product and service offerings, selecting handsets and planning marketing campaigns.

¹⁰ Sixty-nine percent of survey takers said they attended a four-year college/university, followed by 18% attending a two-year college and 10% attending high school. Only 3% indicated they were not currently enrolled in school.

By reacting to the trends and strategies identified in the 2004 Rural Youth Survey, and by gathering their own youth-focused data, rural wireless carriers may find they are more effectively able to combat the growing threat of nationwide carriers offering service in their markets.

The 2004 Rural Youth Survey shows that wireless penetration in the rural youth market is sky-high and getting higher, and that phones are used most often for local voice calls. However, while wireless may be slowly displacing wireline services as the rural teenager's preferred mode of communication, the forward-thinking, tech-savvy nature of the younger generation should be viewed by rural carriers as an opportunity rather than a threat.

As an added bonus, by recruiting new, young telecom consumers, rural service providers may find they have a gateway for marketing to their existing customer base. By creatively playing up their unique strengths within their markets, such as brand recognition, leveraging strategic local relationships (with schools and universities where possible) and bundling with landline services when possible, rural carriers could find they have significant advantages over their national counterparts.

Selected Results...

Figure 1: Do you have a wireless phone?

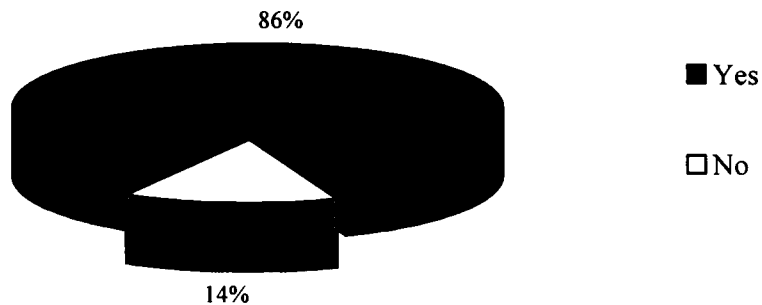


Figure 2: How often do you use your wireless phone?

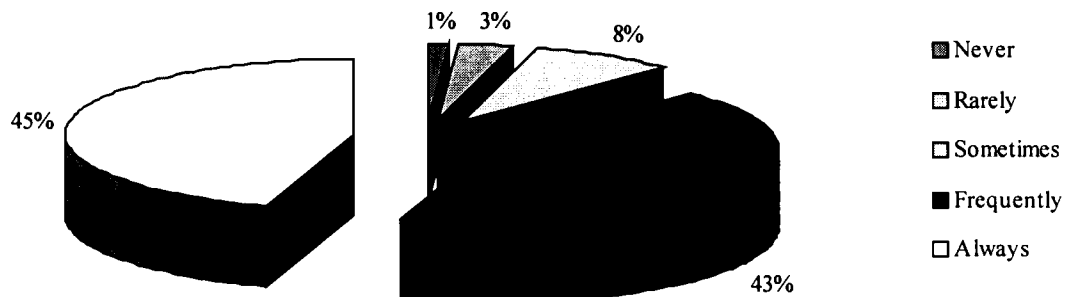


Figure 3: Are you under contract for your wireless phone, or do you prepay for service?

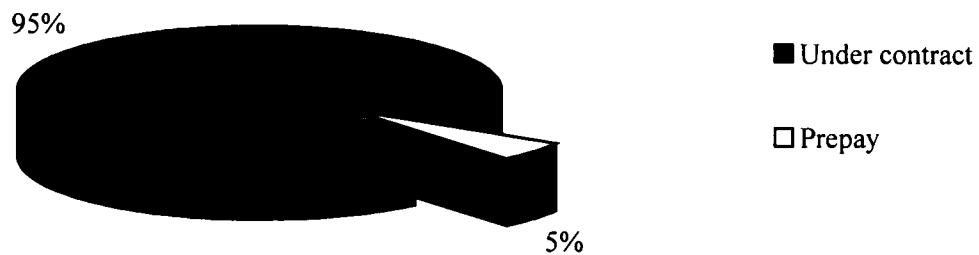


Figure 4: Why do you prepay for your service?

Prepay Options

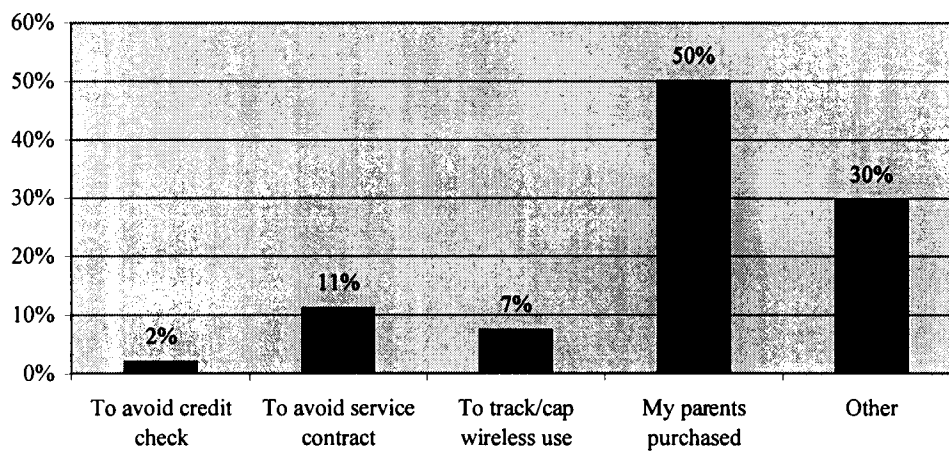


Figure 5: How much is your average monthly bill for your wireless phone?

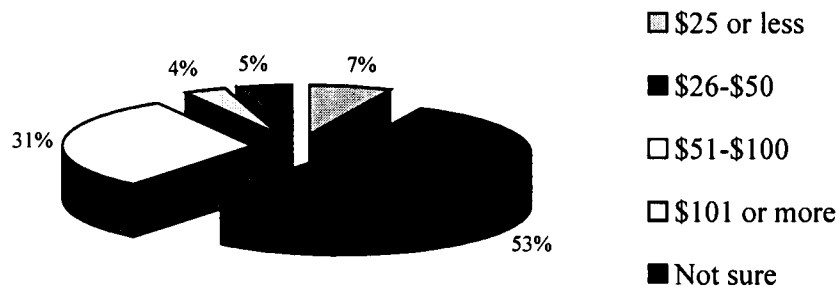


Figure 6: The provider of your wireless service is...

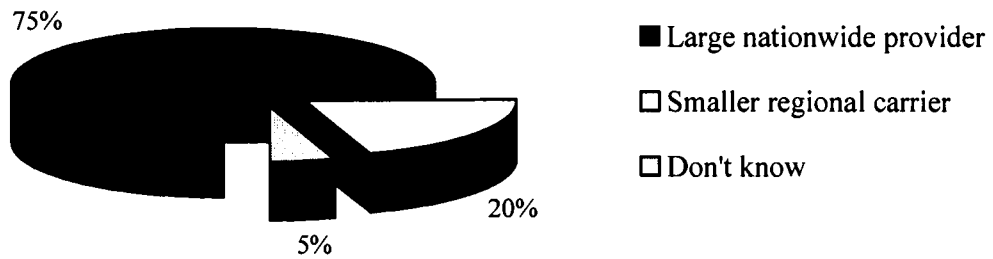


Figure 7: Given the choices listed below, which most influenced your decision...

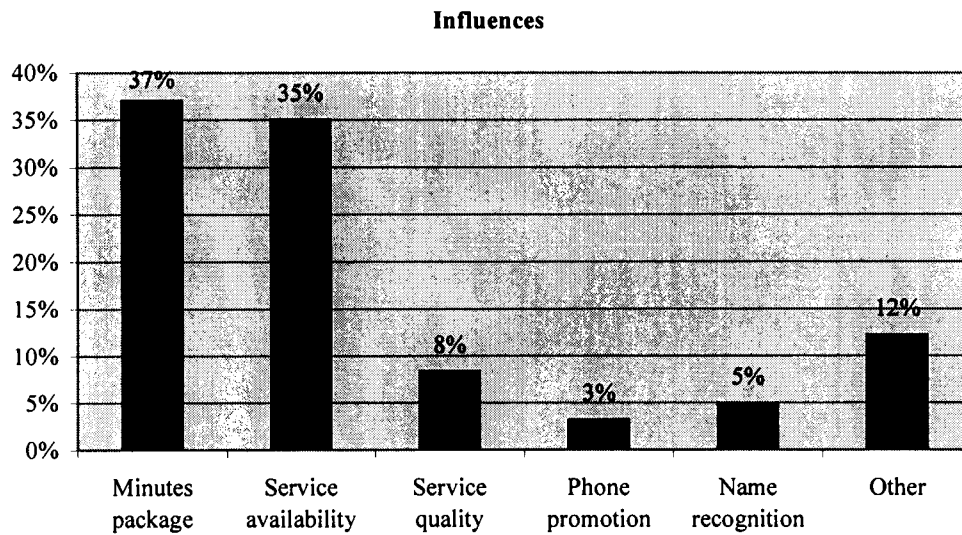


Figure 8: Who pays for your wireless phone service?

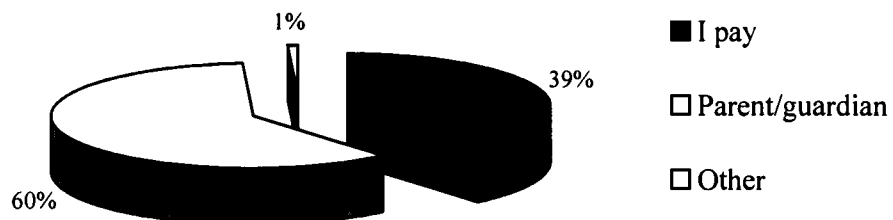


Figure 9: On average, how many minutes do you use each month?

Minutes per Month

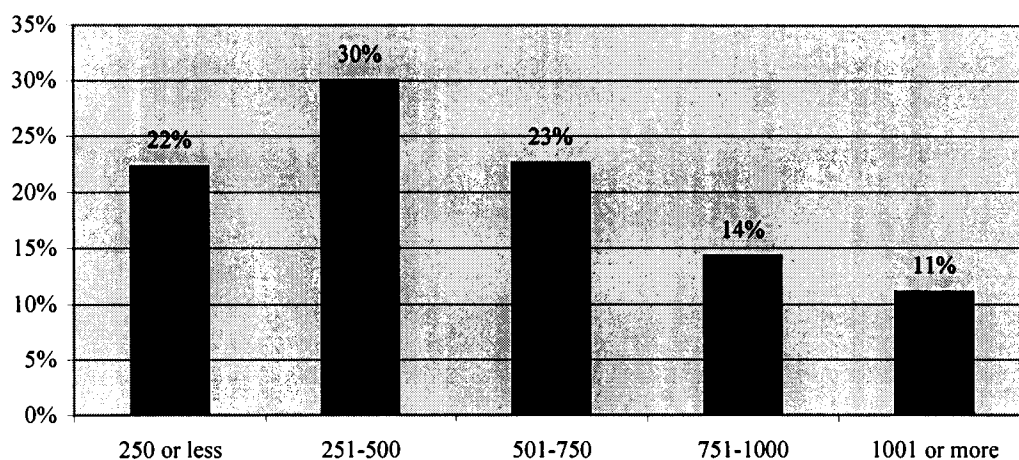
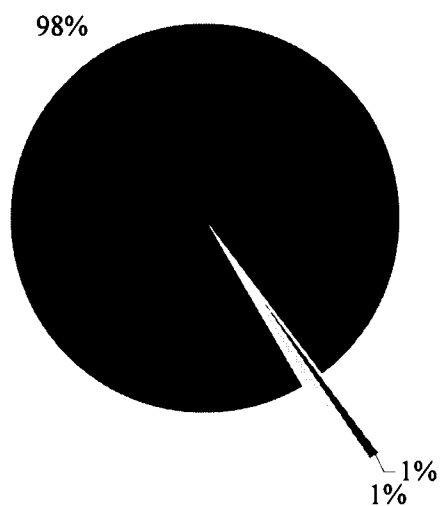


Figure 10: For what activity do you use your wireless phone most often?



98% of respondents use their wireless phone for voice calls. The other 2% is divided between text messaging and e-mail services.

Figure 11: How often do you use the text messaging feature on your wireless phone?

Text Messaging

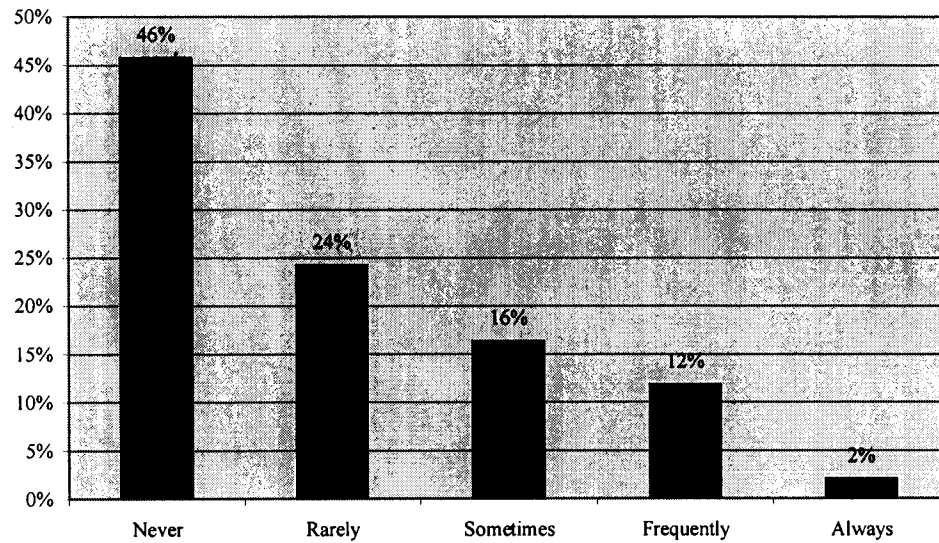


Figure 12: What promotion do you consider most valuable?

Wireless Promotions

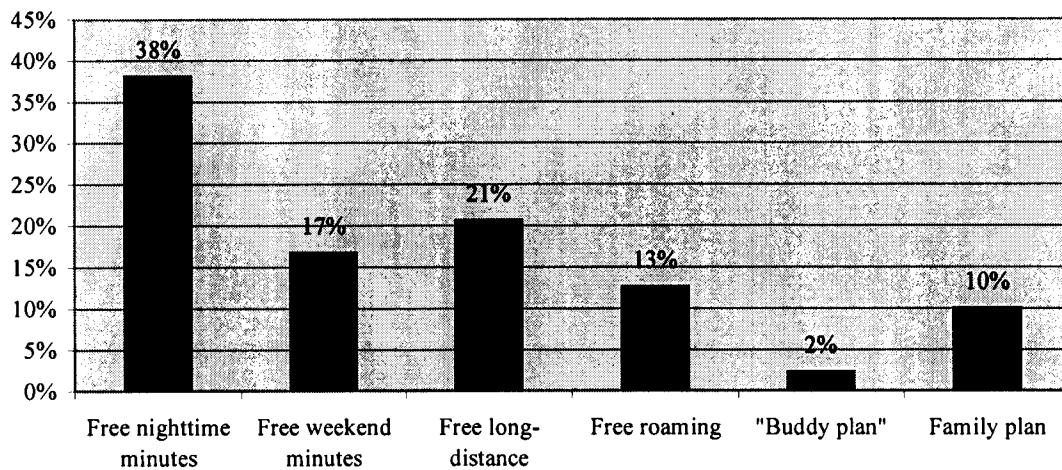


Figure 13: What wireless phone feature is most important to you?

Wireless Features

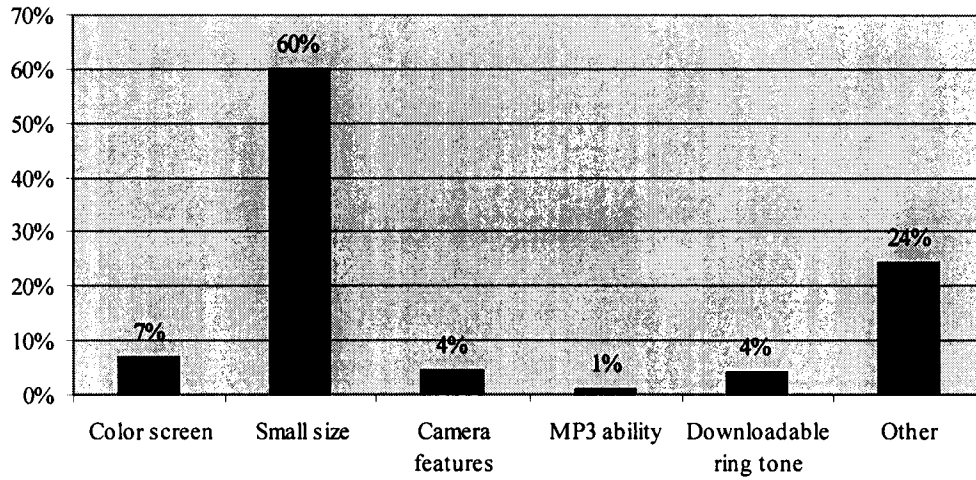


Figure 14: What answer best describes the primary reason you do not have a wireless phone?

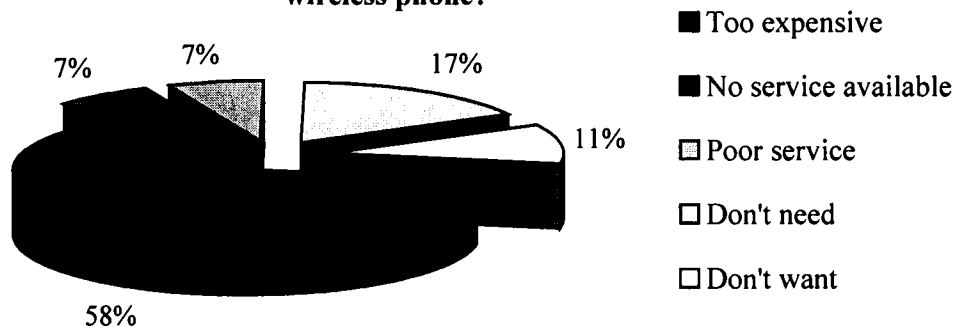


Figure 15: How often do you use the landline phones in your residence?

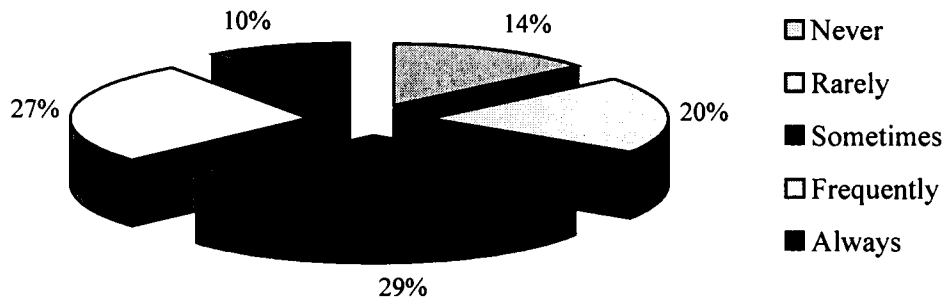


Figure 16: What is the primary reason you use a landline phone?

Landline Use

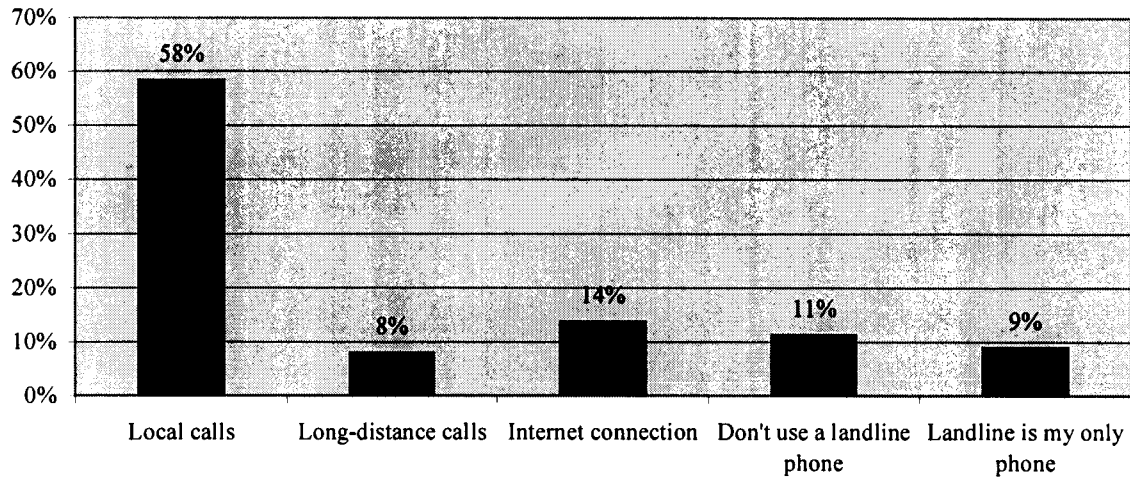


Figure 17: What type of Internet site do you visit most often?

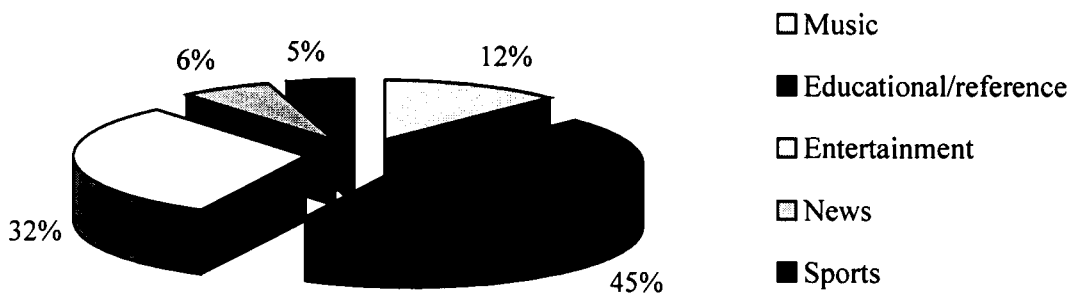


Figure 18: What type of Internet connection do you have?

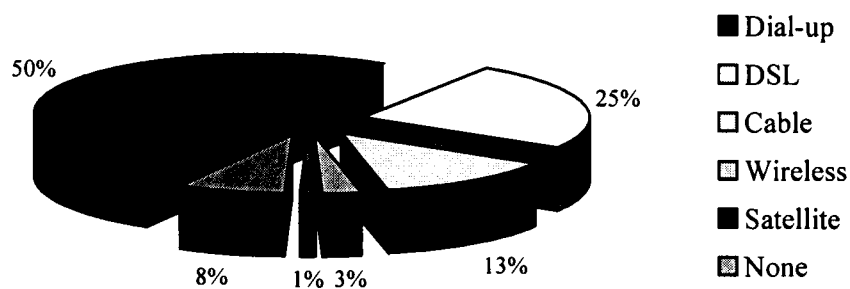


Figure 19: On average, how many hours a day do you spend online?

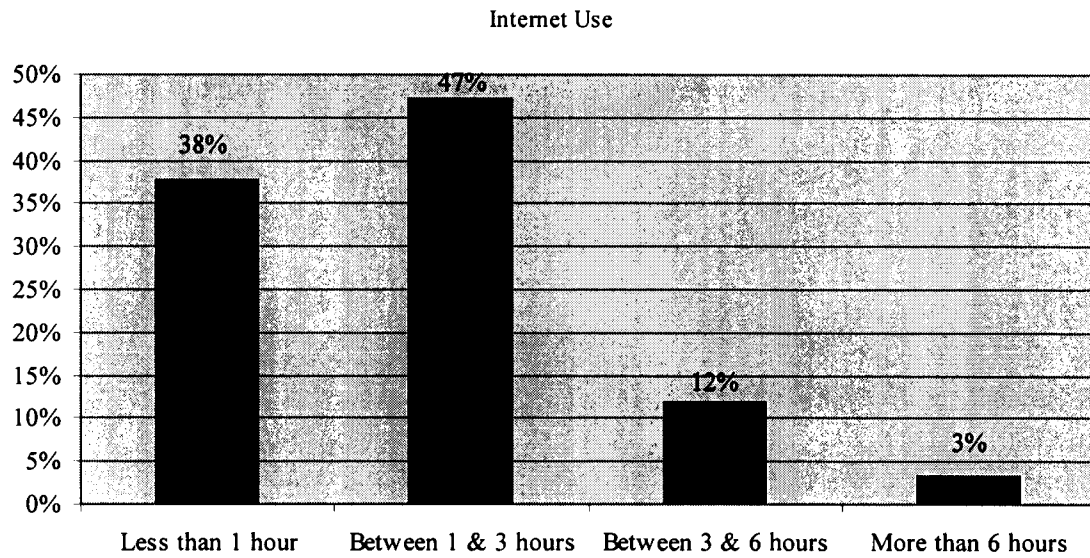


Figure 20: I currently attend...

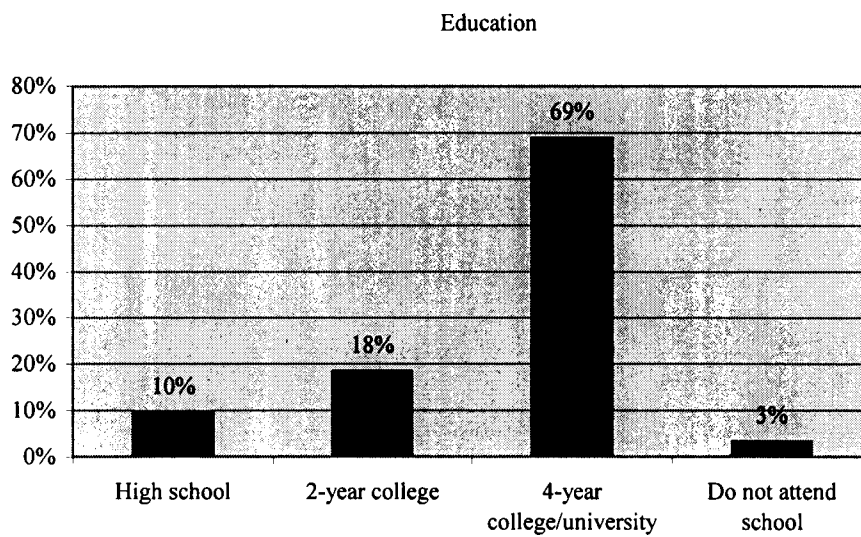


Figure 21: Do you plan to live in a rural area after graduation?

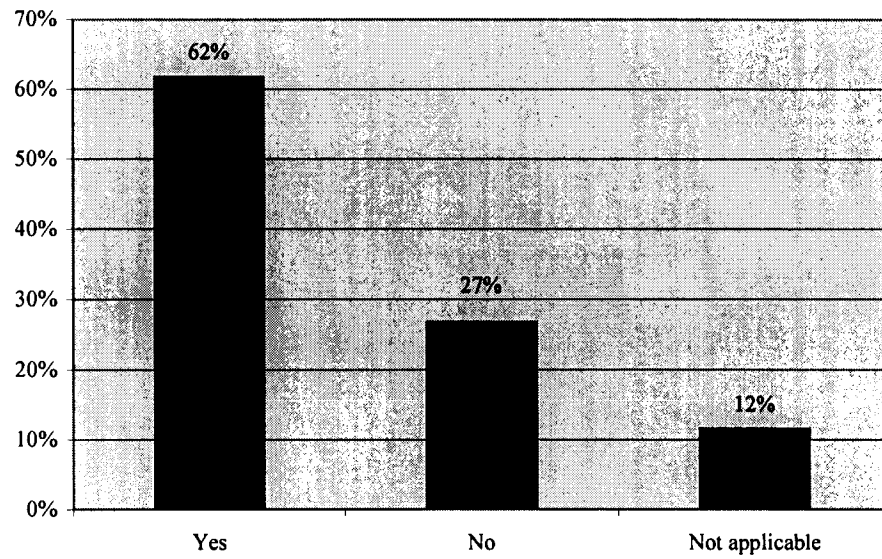


Figure 22: Do you have Internet access at...

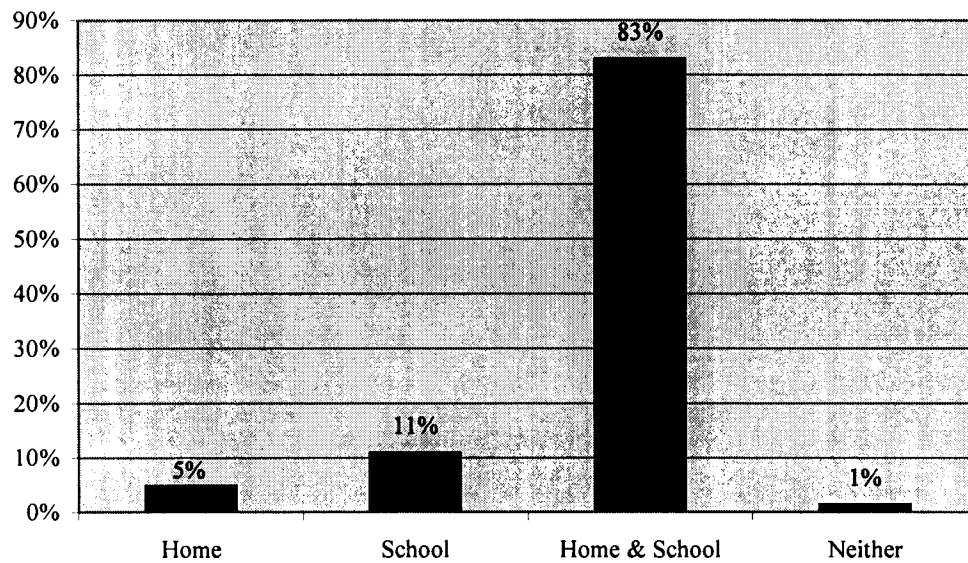
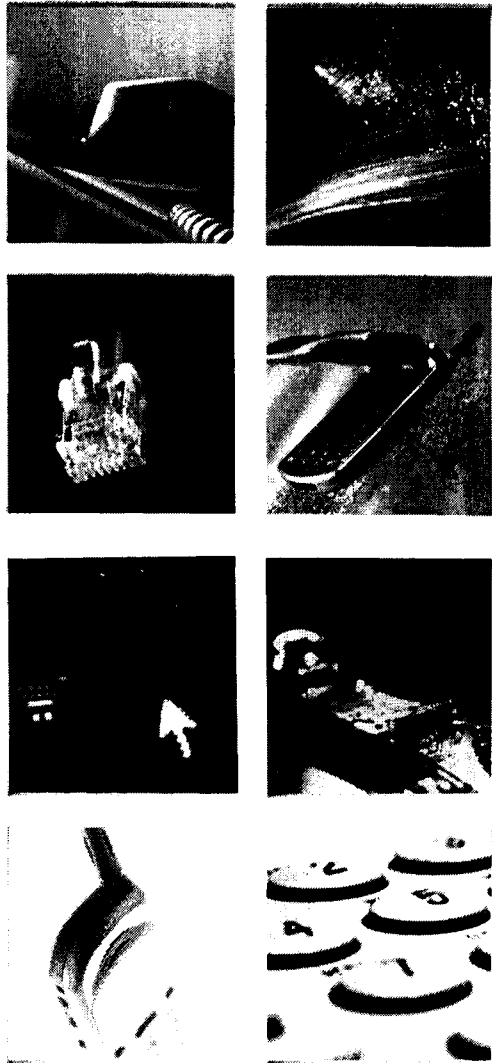


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EXHIBIT SRM-2

2005 Rural Youth Telecommunications Survey



***Teen Preferences Create New Windows
of Opportunity for Rural Telecom Carriers***

Foundation
for Rural Service



NTCA 
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
The Voice of Rural Telecommunications
www.ntca.org

About the National Telecommunications Cooperative Association



The National Telecommunications Cooperative Association (NTCA) is the preeminent telecommunications industry organization dedicated exclusively to representing and serving the interests of the nation's small, rural incumbent local exchange carriers (ILECs). These cooperative and commercial community based telecommunications providers play a leading role in advancing the communications revolution currently underway. Their presence in rural communities helps ensure the economic future of those communities, as well as that of the individuals they serve. NTCA was formed by a group of these rural carriers in 1954 to help ensure their telecommunications interests were fully recognized and understood by federal policymakers. The mission of NTCA and its members is clear—to ensure their ability to provide rural consumers with access to the most advanced, affordable communications services of the era. For more information about NTCA and its members, visit our Web site at www.ntca.org, or call 703-351-2035.

About the Foundation for Rural Service



The Foundation for Rural Service (FRS) was founded in 1994 to help strengthen the ties between rural communities and their families and businesses. Since its establishment by the National Telecommunications Cooperative Association, FRS has been dedicated to educating the public and promoting and advocating rural telecommunications issues in order to sustain and enhance the rural way of life throughout America. Besides being heavily involved in youth education and empowerment, the Foundation for Rural Service leads aggressive public information campaigns and educational initiatives. For more information on FRS, visit our Web site at www.frs.org, or call 703-351-2026.

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Executive Summary

The 2005 Rural Youth Telecommunications Survey was conducted between November 2004 and March 2005. Surveys were distributed to former participants in the Foundation for Rural Service's annual Youth Tour and applicants to the foundation's college scholarship program, as well as to high school students living in rural America.

Ultimately, 5,248 completed survey forms were returned. Fifty-four percent of respondents are male, 46% are female. Forty-five percent are between 14 and 16, 48% are between 17 and 19, 6% are between 20 and 22, and 1% are 23 and older.

Two-thirds of survey respondents (67%) indicate that they currently have a cellular phone. Forty-three percent of respondents use 250 or fewer minutes per month; 29% use between 250 and 500 minutes per month; 13% use between 500 and 750; 8% between 750 and 1,000; and 7% use more than 1,000 minutes monthly.

Survey respondents utilize a variety of features on their wireless phones, including voice calling, text messaging, downloading ring tones, video gaming, push to talk, picture taking, instant messaging, Web surfing, email, and playing MP3s or videos. Thirty-four percent of respondents rate the overall quality of their cellular service as "excellent" or "extremely good," 31% rate their service as "good," and 35% rate their service as "fair" or "poor."

The most commonly cited reason for cellular phone ownership is staying in touch with parents/guardians and vice versa. Seventy-seven percent say that personal safety is equally as important as, or more important than, staying in touch with friends.

Seventy-two percent of respondents with cellular phones indicate that the only time they use a wireline phone to place calls is when they are at home. Approximately 10% never use a wireline phone.

More than three-fourths of survey respondents receive their cellular service from a national carrier, such as Cingular, T-Mobile, Sprint or Verizon¹; 10% receive their service from a local provider; and 8% don't know who their provider is.

Thirty-one percent of survey respondents pay between \$31 and \$50 per month for cellular service; 28% pay more than \$50; 18% pay less than \$30; and 23% don't know what their monthly expenditures are. Sixty-seven percent of respondents indicate that their parents/guardians pay their wireless bill; 28% pay for their own cellular phone; and 5% have someone else pay their monthly bill.

Seventy-one percent of survey respondents are "very satisfied" or "satisfied" with the number of choices available for cellular phone service; the remainder is "unsatisfied" or "very unsatisfied." Forty-four percent of those using their cellular phone for voice calls only do so because they don't need other services; 37% believe the other services cost too much; 12% don't know what other services are available; and 8% cannot obtain other services in their area.

Eighty-four percent of survey respondents have an Internet connection at home: of those, 55% have a dial-up connection, 29% DSL, 5% cable modem, 3% wireless, and 1% satellite. Seven percent of respondents don't know what kind of connection they have. Forty-three percent use their Internet connection up to one hour per day; 41% between one and three hours; 11% between three and five hours; and 6% more than five hours per day.

Email (69%) is the most commonly cited online activity. This is closely followed by homework/research (66%), instant messaging/chatting (62%), Web surfing (49%), downloading music (43%), online gaming (41%), shopping (38%), downloading video (15%), Web page development

¹ This number may be deceiving, as many rural carriers brand their cellular service with a national carrier's brand.

(6%), online communities (5%), and blogging (4%).²

Twenty percent of survey respondents have a wireless network at home, while another 24% have public access to wireless Internet using a laptop computer.

Forty-three percent of respondents report that their local telephone company is their Internet service provider (ISP), while 18% utilize a local ISP company, 8% a national ISP (such as AOL or Earthlink), and 6% utilize their local cable company. Twenty-six percent of responders do not know who their ISP is.

² Totals exceed 100% as respondents were allowed to pick more than one activity.

Introduction

Cellular telephone users are getting younger and younger. Traditionally a technology-savvy segment of society, youth are enthusiastic early adopters of new cellular phone services. Their use of mobile messaging (e.g., SMS, email, MMS), wireless Internet services and gaming typically exceeds that of their older counterparts. However, youth's embrace of wireless technology transcends its functionality. Young people use cellular phones to create and maintain social networks and to reflect their popularity or position in a peer group. Their attitude towards cellular phones is closely related to their own individuality or identity.

Similar motivations also drive teens' use of the Internet and other telecommunication services. According to a recent national survey of youth by the Pew Foundation³, online teens rate instant messaging (IM) highest among the modes of communication they use when communicating with friends. Additionally, eight in 10 wired teens play games online. These figures are much higher than the national average. Not only do youth communicate differently, but they are the bellwether for other users. As a result, the youth market is an important predictor of how the future telecom marketplace will develop.

The National Telecommunications Cooperative Association (NTCA) and the Foundation for Rural Service (FRS) recognize this, and, through their annual Rural Youth Telecommunications Survey, have encouraged rural carriers to connect with teens in their markets. The purpose of the annual youth survey, now in its fourth year, is to determine the unique telecom preferences of young consumers from rural areas and convey them to small, independent phone companies, so that they can better serve their "business customers of tomorrow."

There is also an added reason why it is important for rural telcos to improve services in order to satisfy their young customers. Rural America is threatened by a "brain drain"—the emigration of its young and better educated population to urban areas in search of better social and economic opportunities. This loss of an educated labor force has a potentially devastating impact on the future viability of rural America. The ability to offer the same state-of-the-art telecommunications services as are available in urban areas could play a significant role in reversing the brain drain by improving the attractiveness and livability of rural communities.

This year, the survey was expanded to include not only former FRS Youth Tour participants and applicants of the foundation's college scholarship program, but also high school students within the service areas of NTCA member companies. By increasing the sample size and allowing for a more heterogeneous sample that more closely mirrors the overall composition of rural youth, this change in methodology dramatically improved the ultimate quality of the survey results.

Methodology

The 2005 Rural Youth Telecommunications Survey was conducted in two waves between November 2004 and March 2005. In the first wave (November - February), surveys were distributed to 2,653 former participants in the Foundation for Rural Service's (FRS) annual Youth Tour and applicants to the foundation's college scholarship program⁴.

³ The survey report, entitled "Teens and Technology," was released on July 27, 2005 and is part of the Pew Internet and American Life Project. The report is available at: http://www.pewinternet.org/pdfs/PIP_Teens_Tech_July2005web.pdf

⁴ The FRS' annual Youth Tour brings young people from rural America to Washington, D.C. each spring for a four-day tour of some of the most historical sites in the nation. While in Washington, students also learn about the telecommunications industry, as well as the regulatory and legislative processes. FRS' annual college scholarship program helps further higher education among rural youth. In May of 2005, FRS awarded \$62,500 in the form of 25, \$2,500 scholarships to rural high school seniors across the United States. Awards are granted to students sponsored by a National Telecommunications Cooperative Association (NTCA) member company. Scholarship winners are awarded \$2,000 by FRS in addition to a \$500 scholarship match by their sponsoring company.

For the second wave (January–March), representatives from National Telecommunications Cooperative Association’s (NTCA) member and associate member companies across the country distributed surveys to high school students within their local service areas.

For both waves, participation was voluntary, and two response methods existed: paper surveys could be returned to the foundation via USPS (postage was not provided by FRS), or participants could submit their responses online through the NTCA surveying Web site.

The end result is a sample that looks very different than in past years. (Previously, only former Youth Tour participants and scholarship applicants were included in the survey.) Expanding the pool of survey respondents improved the survey in two ways. First, expanding the base to which the survey was offered dramatically increased the response rate, and thus the overall reliability of the results. Second, this methodology opened up the survey to a much greater cross sample of rural youth, and thus provides a more accurate picture of the trends that are emerging in rural America.

Demographics

Completed survey forms were received from 5,248 rural youth⁵. Fifty-four percent of survey respondents are female, 46% male. The overwhelming majority (93%) is under the age of 19. Forty-five percent are between 14 and 16, 48% are between 17 and 19, 6% between 20 and 22, and 1% are 23 and older. (See Fig. 1.)

Eighty-four percent of survey respondents currently attend public or private high school. Ten percent attend a four-year college or university, 4% attend a community college, and less than 1% of respondents each are home schooled, attend a vocational/technical school, graduate school, or do not attend school.

Cellular Phone Usage

Clearly, rural youth, like youth nationwide, are wholeheartedly embracing cellular technology. Two-thirds of survey respondents (67%) indicate that they currently have a cellular phone⁶. (See Figure 2.) Of these, 39% have an individual cellular phone service plan, while 61% are part of a family plan package. This means that six out of every 10 young, rural cellular phone users will be shopping for their own cellular phone plan in the near future.

A significant block of rural youth is “heavy” cellular users.

There is a wide variation of usage patterns among survey respondents. Forty-three percent of respondents use 250 or fewer wireless minutes per month. Twenty-nine percent use between 250 and 500; 13% between 500 and 750; 8% between 750 and 1,000; and 7% use more than 1,000 minutes (over 16 hours) per month. (See Figure 3.) This reveals a significant block of heavy users: nearly one-third of survey respondents use more than 500 wireless minutes (more than eight and one-third hours) per month.

Survey respondents utilize a wide variety of wireless features.

Respondents utilize a myriad of features on their wireless phones. Not surprisingly, the most commonly-used feature is voice calling, followed in descending order of popularity by text messaging, downloading ring tones, video gaming, push to talk, picture taking, instant messaging, Web surfing, email, and playing MP3s or videos.

⁵ Based on the sample size, the results of the survey can be assumed to be accurate to within $\pm 2\%$ at the 95% confidence level.

⁶ This varies greatly from the 86% of respondents to the 2004 Rural Youth Telecommunications Survey who indicated that they owned a cellular phone. This discrepancy can be attributed to the very different samples that responded to the 2004 and 2005 surveys, as noted previously.

Survey respondents appear to be satisfied, though not overwhelmed, by the quality of cellular phone service in their home areas. Thirty-one percent of respondents rate the quality of service as “good,” 24% “very good,” 20% “fair,” 15% “poor,” and only 10% “excellent.” (See Figure 4.) The rankings split the respondents roughly into thirds: 34% are extremely satisfied (“excellent” or “very good”) with the quality of service they receive, 31% percent are somewhat satisfied (“good”), and 35% are dissatisfied (“fair” or “poor”). That would indicate that two-thirds of this substantial market should be considered “at risk” by their incumbent provider.

Cellular phones provide rural youth—and their parents—peace of mind.

According to survey respondents, personal safety and peace of mind are important factors driving cellular phone usage. The most commonly cited reason for cellular phone ownership is staying in touch with parents/guardians and vice versa. The second most commonly cited reason is safety concerns/emergency use; the third is to stay in touch with friends; and the fourth is for job related reasons. Fifty-six percent say that having a cellular phone for personal safety is equally as important as staying in touch with family and friends, 21% say it is more important than staying in touch with family and friends, 14% say it is less important than staying in touch with family and friends. Only 9% say that personal safety is not a concern.

Rural youth are increasingly “cutting the cord.”

More and more, the younger generation seems willing to forego their wireline phone in favor of wireless communications. Seventy-two percent of those respondents with cellular phones indicate that the only time they use a landline phone to place calls is when they are at home, usually in order to conserve their monthly allotment of wireless minutes. Approximately 10% never use a landline phone, 5% use their landline to make calls that are not included in their cellular phone package, and 3% use a landline when at their current (non-home; i.e. college) address. Only 8% of those respondents with a cellular phone consider their wireline phone to be their primary phone. (See Fig. 5.)

National wireless carriers currently lead the pack in serving rural youth.

More than three-quarters (82%) of respondents receive their cellular service from a national carrier, such as Cingular, T-Mobile, Sprint or Verizon⁷. Ten percent receive service from their local provider, and 8% don’t know who their provider is. (See Fig. 6.) This indicates a significant window of opportunity for rural providers. Those respondents who don’t know who their provider is (most likely because they are not the ones paying the wireless bill) have not yet established any brand loyalty. In addition, as noted earlier, a number of respondents express dissatisfaction with their wireless provider. Improved service quality might provide the impetus for those customers who are with a nationwide carrier to switch to the local provider.

Almost one-fourth of respondents don’t know their monthly cellular expenditures.

Thirty-one percent of survey respondents pay between \$31 and \$50 per month for cellular service. Eighteen percent pay less than \$30, 16% pay between \$51 and \$75, and 12% pay more than \$75 per month. (See Fig. 7.) Twenty-three percent don’t know what their monthly cellular service costs, mainly because an overwhelming majority is not paying their own cellular bill.

Two-thirds (67%) of respondents report that their parents or guardians pay for their cellular phone service. Twenty-eight percent pay for their own phone, and 5% report that someone else (such as their employer) pays for their cellular phone service. (See Fig. 8.) These future cus-

⁷ It should be noted, however, that many rural carriers brand their cellular service with a national carrier’s brand. It is the local telco that actually provides the service. This arrangement is set up via affiliate agreements and contracts.

tomers will need to weigh their desire for all of the specific services they currently use (i.e., text messaging, downloading ring tones, etc.) versus the cost once they start paying their own wireless bill.

More than one-fourth of respondents are dissatisfied with available cellular choices.

Sixty-three percent of survey respondents classify themselves as “satisfied” with the number of choices available for cellular phone service. Twenty-one percent are “unsatisfied,” 8% are “very satisfied,” and 7% are “very unsatisfied.” However, a significant number of respondents are not currently paying their own wireless bill, and thus cannot be presumed to be the decisionmaker in their family. Their overall satisfaction with the number of wireless service choices could likely change once it is their turn to make decisions about their wireless options.

For the most part, survey respondents are not availing themselves of advanced wireless technologies—only 4 % of those respondents who own a cellular phone use a wireless email pager or a wireless personal digital assistant (PDA). Of those, sixty-three percent report their wireless email pager or PDA has a cellular phone component.

Many respondents are not familiar with, or can’t access, non-voice cellular services.

Forty-four percent of those respondents who only use their cellular phone for placing voice calls only do so because they don’t need other services; 37% feel the other services cost too much; 12% don’t know what other services are available; and 8% cannot obtain other services in their area. This represents the potential for significant growth for rural service providers—educating young consumers about additional services and what they might be used for, combined with keeping the services reasonably priced, could pay handsome dividends.

Internet Usage

In order to understand the nature of rural teens’ Internet access, the survey asked: Do you have an Internet connection at home? What type of Internet connection do you have? How much time do you spend online each day? What online activities do you engage in most often? Do you take courses over the Internet? Who is your ISP?

This section details the context of rural teens’ Internet access and use to gain a better understanding of factors that may influence how a rural teen uses the Internet.

Over half of Internet connections are via telephone dial-up.

Eighty-four percent of survey respondents have an Internet connection at home. Of those, 55% report a dial-up connection, 29% DSL, 5% cable modem, 3% wireless, and 1% satellite. Seven percent of respondents don’t know what kind of connection they have. (See Fig. 9.)

While rural youth have a slightly higher Internet connection rate at home (84%) than the nation as a whole (68%)⁸, over half of them still use telephone dial-up service. There is also a discrepancy in the broadband connection method between homes in rural and non-rural areas. Of the two major broadband options, DSL leads cable by close to a 6:1 margin (29% vs. 5%) in the survey, while nationally, cable subscription leads DSL by a 3:2 margin⁹. These numbers reflect the dominant role DSL plays in rural broadband infrastructure, which is markedly different than urban and suburban broadband infrastructure.

⁸ Source: Internet usage statistics for the Americas: <http://www.internetworldstats.com/stats2.htm>.

⁹ High Speed Services for Internet Access: Summary Statistics of Subscription Data, released by the FCC on July 5, 2005. http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/hspd0705.pdf.

The majority of rural teens use the Internet more than one hour per day.

An overwhelming majority of respondents use the Internet daily, with 43% reporting the use of up to one hour daily, 41% between one and three hours, 11% between three and five hours, and 6% more than five hours per day. (See Fig. 10.) As a result, 17% can be classified as heavy users with three hours or more of use per day and 43% of respondents can be classified as light users, who are online less than one hour per day.

Email still dominates Internet use, but other applications are beginning to grow in popularity.

For many years, email has been the most popular application on the Internet. But email may be at the beginning of a gradual decline as other applications such as instant messaging, online gaming, and blogging compete for rural teens' attention. While survey respondents still rate email (69%) as among their most common online activities, this use is closely followed by homework/research (66%), instant messaging/chatting (62%), Web surfing (49%), downloading music (43%), online gaming (41%), shopping (38%), downloading video (15%), Web page development (6%), online communities (5%), and blogging (4%). (See Fig. 11.) While a number of these applications—such as online gaming, and downloading music and video, for example—may not have widespread appeal outside of the youth market, they should be considered absolute necessities for attracting and retaining that segment of the overall market.

Many respondents currently utilize a wireless LAN.

The survey indicates that the use of wireless Internet among rural teens is quite popular. Twenty percent of survey respondents have a wireless network at home, while another 24% have public access to wireless Internet using a laptop computer. These numbers generally reflect the national trend.

Telcos dominate the ISP landscape in rural areas.

Forty-three percent of survey respondents report their local telephone company is their Internet service provider (ISP); 18% utilize a local ISP company; 8% utilize a national ISP (such as AOL or Earthlink); and 6% utilize their local cable company. (See Fig. 12.) The high presence of rural telcos in ISP business is good news for community-based telecom providers. However, 26% of respondents report that they do not know who their ISP is. This suggests room for improvement in marketing efforts to reach out to rural teens who are future paying customers.

As for the fees paid to the ISP, 29% report that they pay between \$15 and \$30 per month for home Internet service; 9% pay between \$31 and \$45 monthly; 6% less than \$15; and 5% more than \$45 per month. Over half (51%) of the respondents say that they don't know what they pay for Internet access. (See Fig. 13.) This is mainly due to the fact that their parents/guardians pay the monthly fees. However, this could also suggest the lack of effective marketing campaigns and a need to raise the awareness of telco-provided ISP service.

VoIP usage is low, but likely to grow.

Four percent of respondents say that they utilize voice over Internet protocol (VoIP) service. Although the number is low now, a gradual increase in the use of VoIP and its awareness among rural teens in coming years is highly likely.

Looking Forward

Fifty-five percent of survey respondents plan to live in a rural area soon after completing their education. Thirty-three percent consider the availability of a variety of telecommunications services to be an important factor in deciding where they will ultimately live, while 34% do not consider it important and 33% are not sure.

Cellular telephone service was most frequently selected as an essential telecommunications service, followed (in descending order) by landline telephone, broadband Internet access (via DSL, cable modem, etc.), dial-up Internet service, and wireless Internet service.

Conclusions

Rural youth is an important market segment for rural telecommunications service providers. They embrace new technology more readily than other segments of the rural population. This survey shows that rural youth are distancing themselves from traditional wireline services and gravitating toward wireless services. Already, the youth market is the first to use their cellular phones to replace wireline phones for long-distance calling. This gravitation toward wireless communications among teens and young adults will only continue as more wireless technologies become available in coming years.

The strong feeling young people have about wireless communications corresponds well to the trends in telecommunications development. The telecom industry is currently looking into fixed mobile phone convergence, which involves using a fixed line to make phone calls from home on a cellular phone for the same cost. It is hoped that this, combined with extended mobile coverage, will result in the youth market continuing to provide the industry with the potential for significant revenue streams far into the future.

In addition, rural youth is utilizing all available communications channels over the Internet, rather than concentrating exclusively on email and Web surfing. Instant messaging/chatting, downloading music, online gaming, shopping, and blogging now compete with and complement email and the Web as important mediums for social networking. This both suggests that dependence on technology is evolving, and portends a telecom future where new applications and services proliferate.

Further, the survey shows that rural youth does not have strong brand loyalty toward current telecommunications service providers. This suggests room for improvement in rural telcos' marketing efforts to get their name in front of the market, as well as significant opportunities to capture youthful customers by offering a wide variety of high-quality, reasonably-priced telecommunications services.

Figures

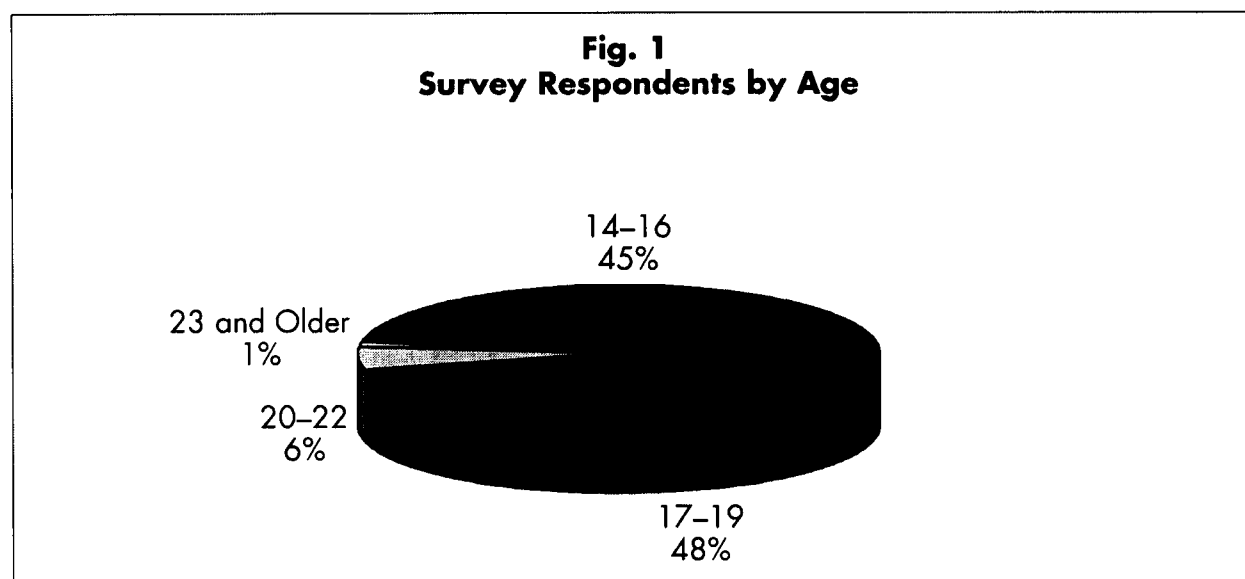


Fig. 2
Do You Currently Have a Cellular Phone?

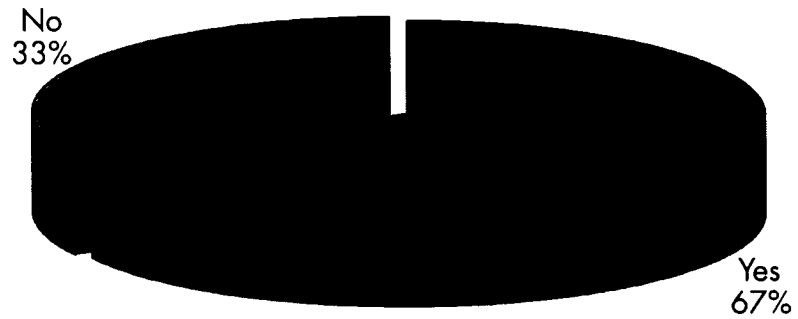


Fig. 3
Wireless Minutes Used Per Month

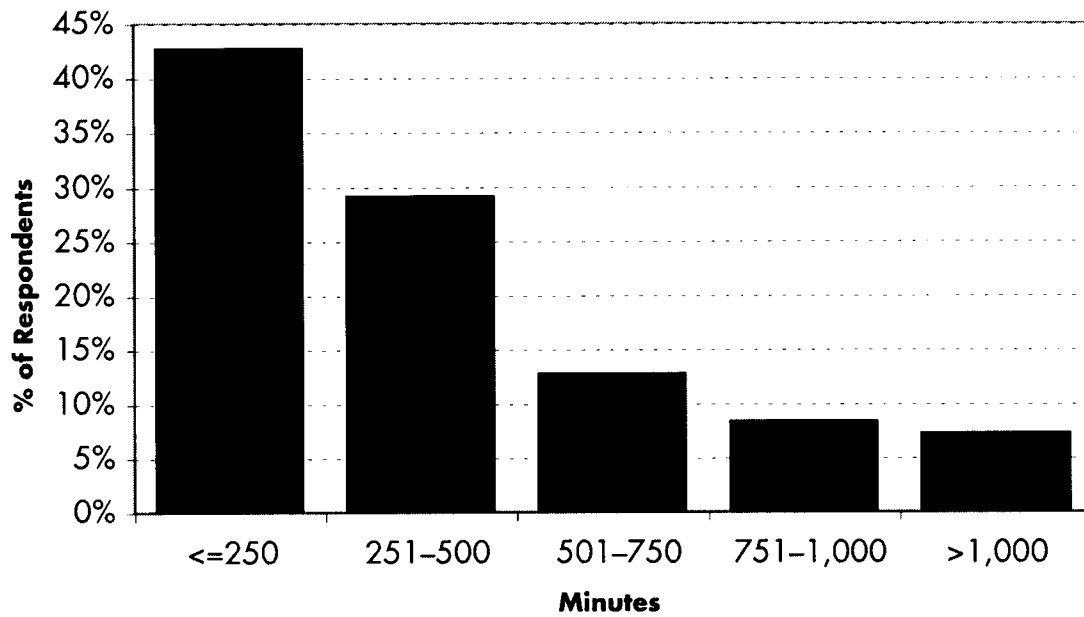


Fig. 4
Cellular Service Quality

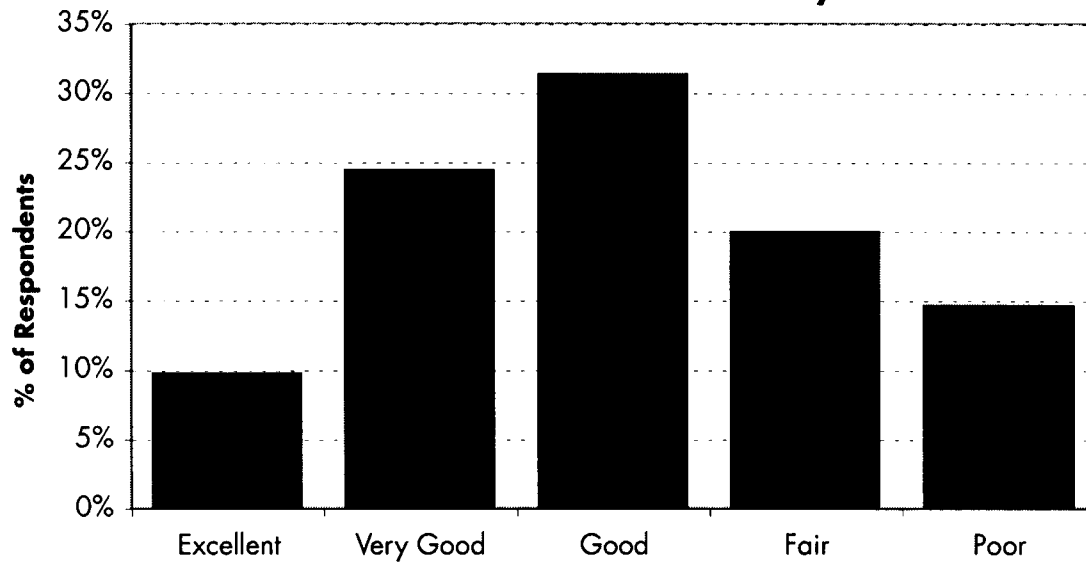


Fig. 5
Wireline Use

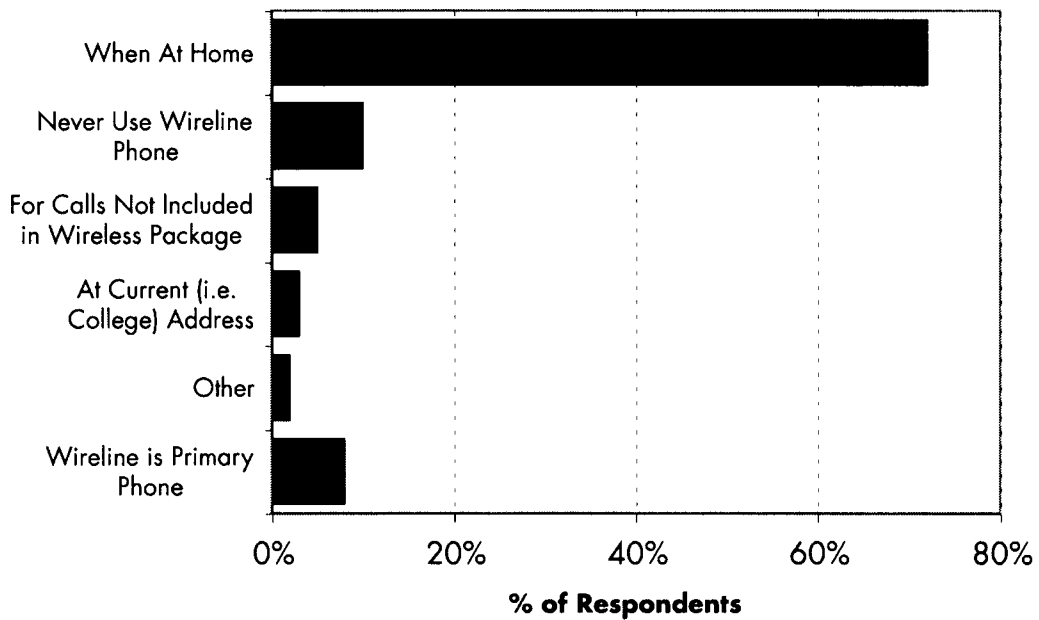


Fig. 6
Wireless Service Provider

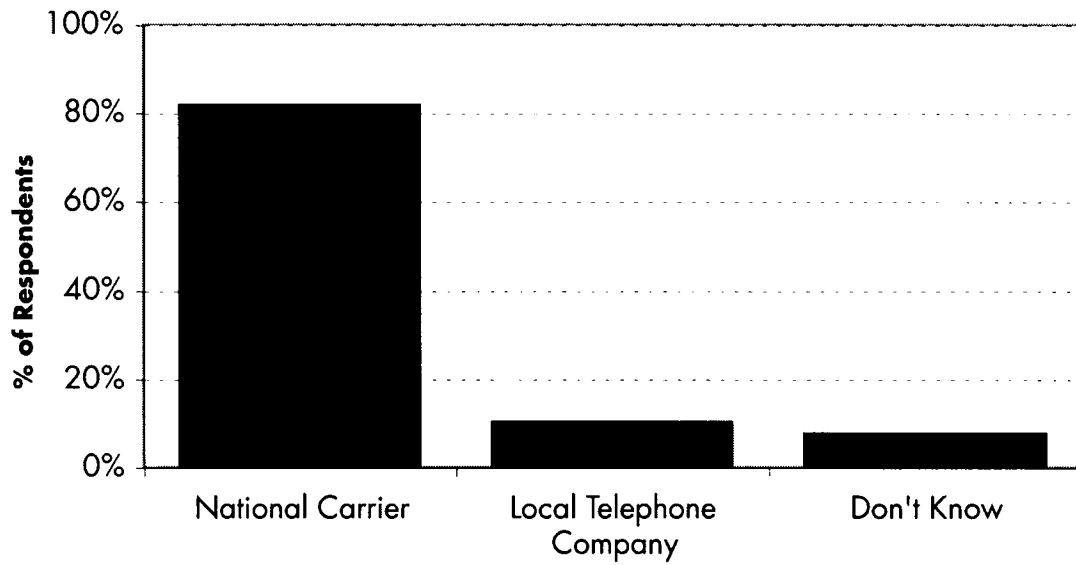


Fig. 7
Monthly Cellular Expenditures

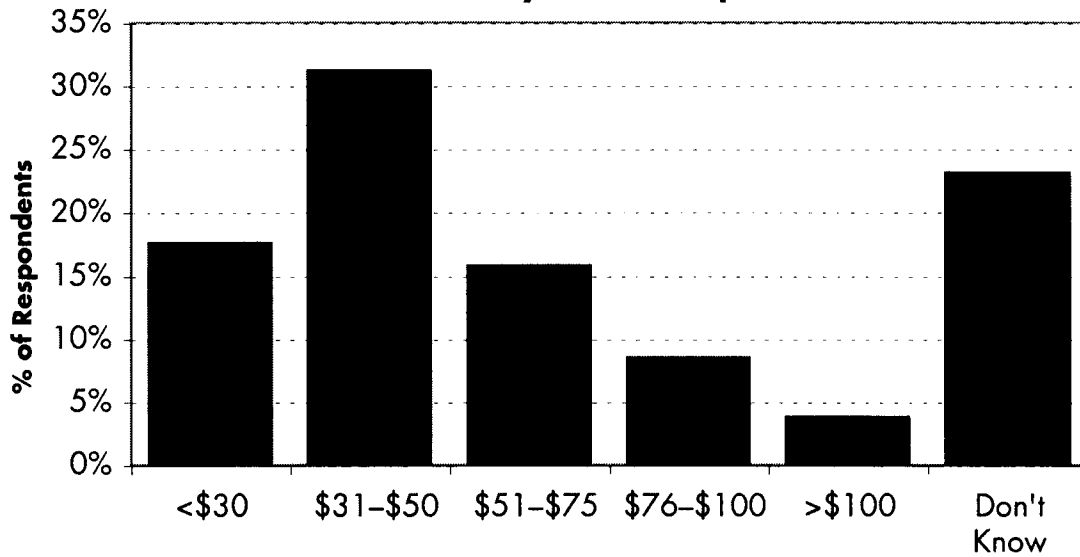


Fig. 8
Who Pays for Your Wireless Service?

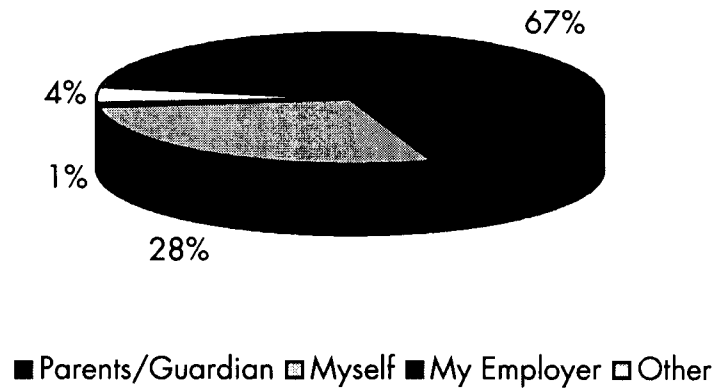


Fig. 9
Type of Internet Connection

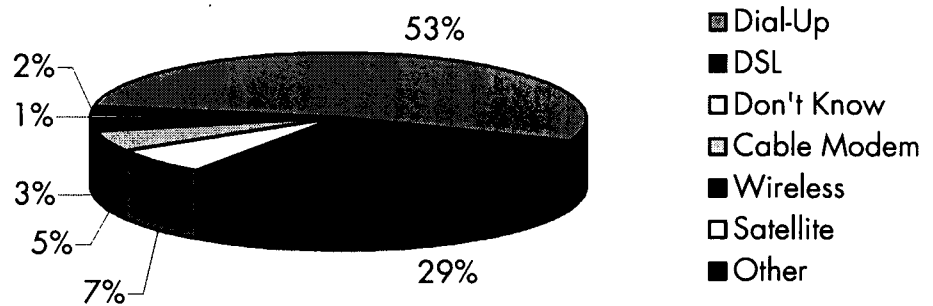


Fig. 10
Daily Internet Usage

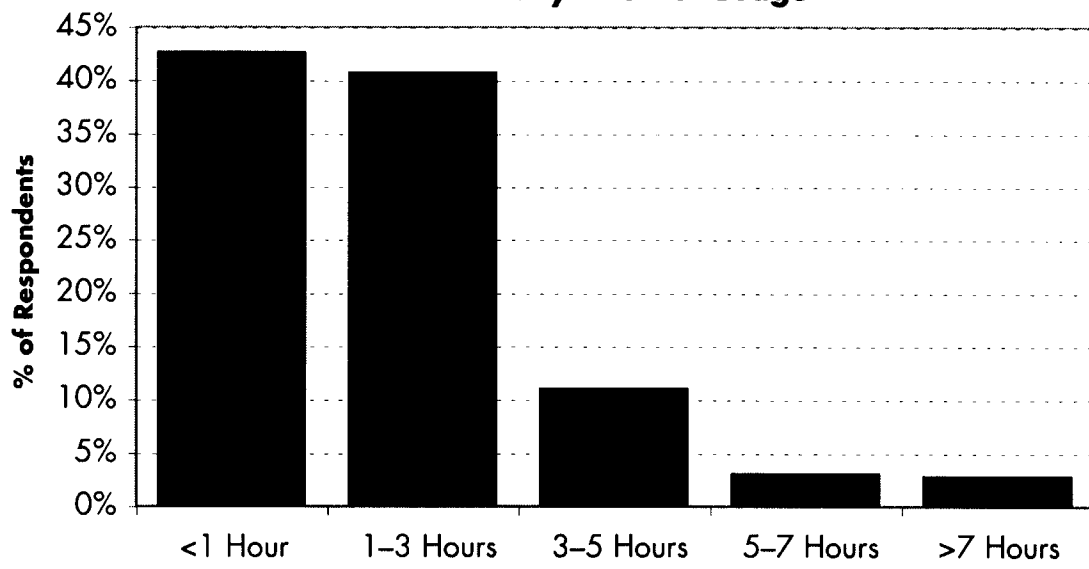


Fig. 11
Online Activities

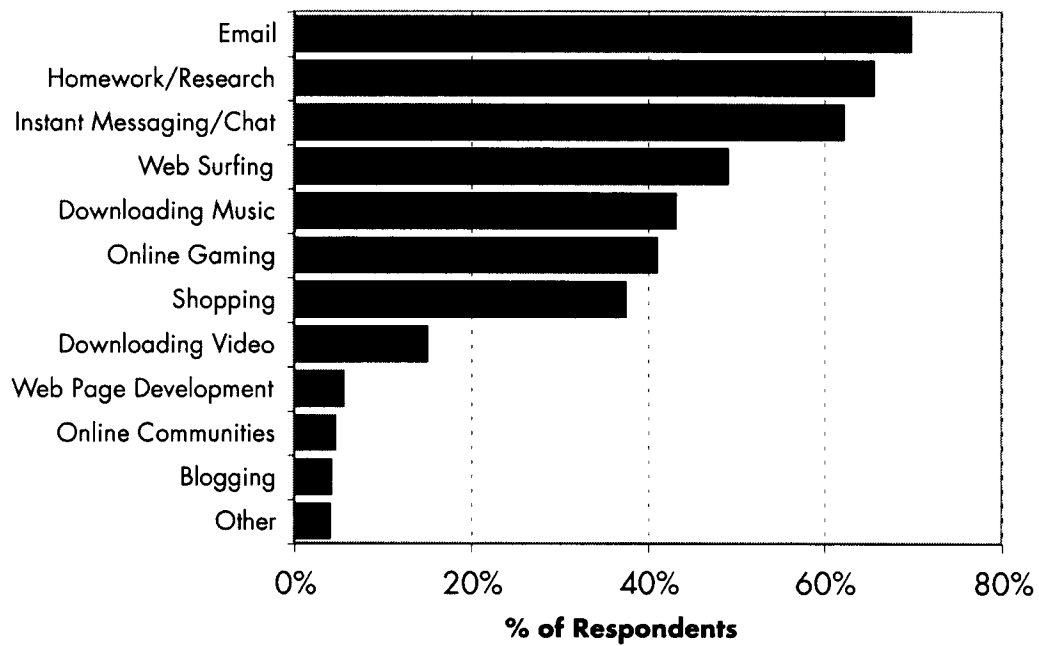


Fig. 12
Internet Service Provider

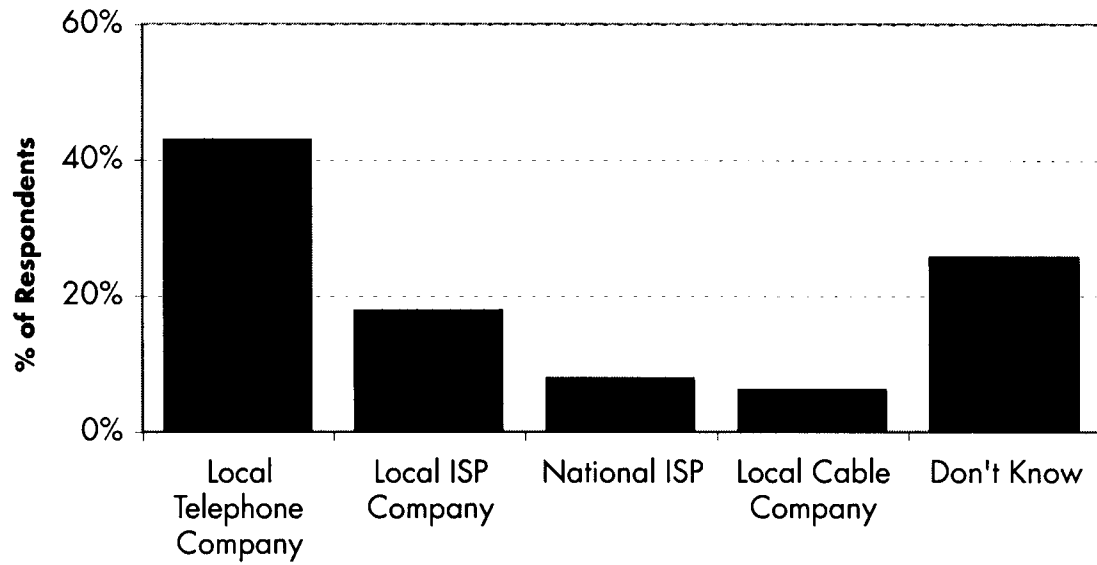


Fig. 13
Monthly Internet Expenditures

